

**ADAPTOGENICS HEALTH CORP.**

**FINANCIAL STATEMENTS**

**FOR THE THREE- AND NINE- MONTH PERIODS ENDED  
DECEMBER 31, 2022 AND 2021**

**(Expressed in Canadian Dollars)  
(Unaudited)**



## **Notice to Reader**

Under National instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the condensed interim financial statements by an entity's auditor.

**Adaptogenics Health Corp.**  
**Condensed Interim Statements of Financial Position**  
(Stated in Canadian Dollars)  
(Unaudited)

	Notes	December 31, 2022	March 31, 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 321,778	\$ 533,515
Amounts receivable		5,128	4,290
Prepaid expenses		70,047	39,690
<b>Total current assets</b>		<b>396,953</b>	<b>577,495</b>
<b>TOTAL ASSETS</b>		<b>\$ 396,953</b>	<b>\$ 577,495</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables		\$ 59,071	\$ 38,337
Due to related parties	<b>8</b>	-	9,975
<b>TOTAL LIABILITIES</b>		<b>59,071</b>	<b>48,312</b>
<b>Shareholders' equity</b>			
Share capital	<b>4</b>	669,886	669,886
Deficit		(332,004)	(140,703)
<b>Total equity</b>		<b>337,882</b>	<b>529,183</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 396,953</b>	<b>\$ 577,495</b>
<b>Nature and continuance of operations</b>	<b>1</b>		
 <u>"Daryl Ware-Lane"</u> Director		 <u>"Hani Zabaneh"</u> Director	

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

## Adaptogenics Health Corp.

### Condensed Interim Statements of Loss and Comprehensive Loss

(Stated in Canadian Dollars)

(Unaudited)

	Notes	Three-months ended December 31,		Nine-months ended December 31,	
		2022	2021	2022	2021
<b>Expenses</b>					
Advertising and promotions		\$ 8,307	\$ 8,898	\$ 17,807	\$ 24,518
Consulting fees		10,900	8,000	24,705	47,774
Filing fees		10,000	-	23,500	-
General and administrative		1,035	170	2,759	554
Management fees	8	13,500	-	61,400	-
Professional fees		27,540	6,184	49,814	14,214
Product and development costs		-	-	14,300	-
<b>Loss before other item</b>		<b>(71,282)</b>	<b>(23,252)</b>	<b>(194,285)</b>	<b>(87,060)</b>
<b>Other income (expense)</b>					
Interest income		2,984	-	2,984	-
<b>Loss and comprehensive loss for the period</b>		<b>\$ (68,298)</b>	<b>\$ (23,252)</b>	<b>\$ (191,301)</b>	<b>\$ (87,060)</b>
<b>Weighted average number of common shares outstanding</b>					
Basic		16,397,701	5,000,001	16,397,701	2,800,001
Diluted		16,397,701	5,000,001	16,397,701	2,800,001
<b>Basic and diluted loss per common share</b>		<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>

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**Adaptogenics Health Corp.**  
**Condensed Interim Statements of Cash Flows**  
(Stated in Canadian Dollars)  
(Unaudited)

	Nine-months ended December 31,	
	2022	2021
<b>Operating activities</b>		
Loss for the period	\$ (191,301)	\$ (87,060)
Changes in non-cash working capital items:		
Amounts receivable	(838)	(157)
Prepaid expenses	(30,357)	-
Trade and other payables	20,734	14,479
Due from related parties	(9,975)	-
<b>Net cash used in operating activities</b>	<b>(211,737)</b>	<b>(72,738)</b>
<b>Financing activity</b>		
Subscriptions received in advance	-	428,285
Proceeds from issuance of common shares, net of issuance costs	-	100,001
<b>Net cash provided by financing activity</b>	<b>-</b>	<b>528,286</b>
<b>Change in cash during the period</b>	<b>(211,737)</b>	<b>455,548</b>
<b>Cash, beginning of period</b>	<b>533,515</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ 321,778</b>	<b>\$ 455,548</b>
<b>Supplemental Cash Flow Information</b>		
Income taxes paid	\$ -	\$ -
Interest paid (received)	\$ -	\$ -

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

## Adaptogenics Health Corp.

### Condensed Interim Statements of Changes in Shareholders' Equity

(Stated in Canadian Dollars)

(Unaudited)

	Common Shares		Subscriptions	Deficit	Total
	Number	Amount	received		
<b>Balance at March 31, 2022</b>	16,397,701	\$ 669,886	\$ -	\$ (140,703)	\$ 529,183
Net loss for the period	-	-	-	(191,301)	(191,301)
<b>Balance at December 31, 2022</b>	16,397,701	\$ 669,886	\$ -	\$ (332,004)	\$ 337,882

	Common Shares		Subscriptions	Deficit	Total
	Number	Amount	received		
<b>Balance at April 1, 2021</b>	-	\$ -	\$ -	\$ -	\$ -
Issue of common shares for cash	5,000,001	100,001	-	-	100,001
Subscriptions received in advance	-	-	428,285	-	428,285
Net loss for the period	-	-	-	(87,060)	(87,060)
<b>Balance at December 31, 2021</b>	5,000,001	\$ 100,001	\$ 428,285	\$ (87,060)	\$ 441,226

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

**ADAPTOGENICS HEALTH CORP.**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**  
(Expressed in Canadian Dollars)  
(Unaudited)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Adaptogenics Health Corp. (the “Company”) was incorporated on April 1, 2021 pursuant to the Business Corporations Act (British Columbia). On December 12, 2022, a Prospectus filed by the Company was given final receipt by the British Columbia Securities Commission. On January 9, 2023, the Company’s common shares began trading on the Canadian Securities Exchange (“CSE”) under the symbol “ADPT”.

These condensed interim financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has no foreseeable sources of revenue and has accumulated losses of \$332,004 since inception and expects to incur further losses in the development of the business. These conditions cast significant doubt on the Company’s ability to continue as a going concern.

The Company is a Canadian-based nutraceutical company focused on the formulation and distribution of functional mushroom products and nutritional supplement alternatives. The Company is in the process of developing product formulations combining functional mushrooms and adaptogenic herbs which are aimed to support holistic health. The Company is committed to growing a presence in North America through a multifaceted distribution strategy to advance a mission of improving and empowering human health and wellness.

The success of the Company will be dependent upon the realization of revenues from its business operations, the ability of the Company to obtain the necessary financing to complete and expand its business operations and the ability of the Company to maintain supply chain issues as demand for its product line increases. The outcome of these matters cannot be predicted at this time.

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

The current market conditions and volatility increases the uncertainty of the Company’s ability to continue as a going concern given the need monitor expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the Company’s condensed interim statement of financial position.

The head office and the principal place of business of the Company is located at 1100 – 1111 Melville Street, Vancouver, BC, V6E 3V6.

## **2. BASIS OF PRESENTATION**

### **a) Statement of compliance and basis of measurement**

These condensed interim financial statements, including any comparatives have been prepared using accounting policies consistent with IAS 34 Interim Financial Reporting. These condensed interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as and measured as at their fair value.

In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Certain information and note disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed, and therefore these condensed interim financial statements should be read in conjunction with the Company's March 31, 2022 audited annual financial statements and the notes to such financial statements.

These condensed interim financial statements of the Company for the three- and nine-month period ended December 31, 2022 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on February 21, 2023.

### **b) Functional currency and presentation currency**

The Company's functional and presentation currency is the Canadian dollar.

## **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company makes estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the financial statements are discussed below.

### *Critical judgments*

Critical accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to the going concern assumption.

## **4. SHARE CAPITAL**

Authorized capital stock: unlimited number of common shares without par value.

During the nine-month period ended December 31, 2022, there were no new shares issued by the Company.



## **5. SHARE-BASED PAYMENTS**

Stock Options:

On January 18, 2022, the Company adopted a stock option plan in accordance with the rules and policies of the Canadian Securities Exchange. The terms of any award are determined by the Board, provided that no options may be granted with an exercise price lower than the greater of the closing market price of the Common Shares on (a) the trading day prior to the date of the grant of the stock options, and (b) the date of grant of the stock options, and the term may not exceed 10 years. The aggregate number of securities available for issuance under the plan may not exceed 10% of the number of common shares of the Company issued and outstanding from time to time.

As at December 31, 2022, there were no options granted and exercisable.

## **6. FINANCIAL INSTRUMENTS AND RISK FACTORS**

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

The Company's cash is measured at fair value, under the fair value hierarchy based on level 1 quoted prices in active markets for identical assets or liabilities.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's accounts payable and accrued liabilities, amounts due to related parties approximate their carrying value, which is the amount recorded on the statement of financial position, due to their short term nature.

The Company's risk exposures and the impact on the Company's condensed interim financial instruments are summarized below:

### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk. The Company manages credit risk in respect to cash by depositing its funds in a major Canadian financial institution. Amounts receivable consists of input tax credits receivable from the Government of Canada and are not subject to significant credit risk.

### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2022, the Company had a cash balance of \$321,778 to settle current liabilities of \$59,071. The Company expects to fund future liabilities through the issuance of capital stock. See Note 1 for discussion of going concern risk.

**6. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued):**

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

a) Interest rate risk

The Company has cash balances which are not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions.

As at December 31, 2022, the Company did not have any investments in investment-grade short-term deposit certificates.

**7. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, and development of its business interests. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is largely dependent upon external financings to fund activities. In order to fund new business opportunities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new business opportunities and seek to acquire new business assets if it determines there are sufficient business opportunities or economic potential and if it has adequate financial resources to do so (see Note 1).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended December 31, 2022. The Company is not subject to externally imposed capital requirements.

**8. RELATED PARTY TRANSACTIONS**

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
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**8. RELATED PARTY TRANSACTIONS (continued):**

Remuneration attributed to key management personnel can be summarized as follows:

	Three-month periods ended December 31,		Nine-month periods ended December 31,	
	2022	2021	2022	2021
Short-term benefits*	\$ 13,500	\$ -	\$ 61,400	\$ -

\*includes base salaries pursuant to contractual employment or consultancy arrangements. These have been recorded in management fees.

- During the nine-month period ended December 31, 2022, the Company incurred management fees totaling \$28,000 (2021 - \$nil) to Daryl Ware-Lane, a director and the CEO of the Company.
- During the nine-month period ended December 31, 2022, the Company incurred management fees totaling \$16,500 (2021 - \$nil) to Blue Ocean Productions Ltd., a company controlled by a director and VP Sales of the Company.
- During the nine-month period ended December 31, 2022, the Company incurred management fees totaling \$11,500 (2021 - \$nil) to Hani Zabaneh, a director of the Company.
- During the nine-month period ended December 31, 2022, the Company incurred management fees totaling \$5,400 (2021 - \$nil) to MJJ Corporate Services Inc., a company controlled by the CFO of the Company.

As at December 31, 2022, the Company had \$nil (March 31, 2022 - \$9,975) due to related parties. The amounts owing are unsecured, are non-interest bearing and are repayable upon demand.