# ADAPTOGENICS HEALTH CORP.

# FINANCIAL STATEMENTS

# FOR THE THREE-MONTH PERIODS ENDED JUNE 30, 2024 AND 2023

**(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 | June 30, 2024 | March 31, 2024 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | $ 149,432 | $ 148,990 |
| Amounts receivable | | 721 | 4,726 |
| **Total current assets** | | 150,153 | 153,716 |
| **TOTAL ASSETS** | | $ 150,153 | $ 153,716 |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | $ 27,523 | $ 21,972 |
| **TOTAL LIABILITIES** | | 27,523 | 21,972 |
| **Shareholders' equity** | | | |
| Share capital | **5** | 669,886 | 669,886 |
| Reserves | **6** | 15,800 | 15,122 |
| Deficit | | (563,056) | (553,264) |
| **Total equity** | | 122,630 | 131,744 |
| **TOTAL LIABILITIES AND EQUITY** | | $ 150,153 | $ 153,716 |

**Nature and continuance of operations and going concern** **1**
**Subsequent event** **10**

*"Daryl Ware-Lane"*
Director

*"Hani Zabaneh"*
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 June 30, 2024 | 2023 |
|---|---|---|---|
| **Revenue** | | | |
| Sales, net of discounts | | $ 100 | $ - |
| Cost-of-sales | | 3 | - |
| **Gross Margin** | | 97 | - |
| **Expenses** | | | |
| Advertising and promotions | | 302 | 3,252 |
| Consulting fees | | - | 520 |
| Filing fees | | 3,767 | 5,287 |
| General and administrative | | 271 | 937 |
| Management fees | **9** | 1,000 | 13,500 |
| Professional fees | | 5,814 | 3,734 |
| Share-based payments | **6** | 678 | - |
| **Total expenses** | | (11,832) | (27,230) |
| **Loss before other item** | | (11,735) | (27,230) |
| **Other item** | | | |
| Interest income | | 1,943 | 383 |
| **Loss and comprehensive loss for the period** | | $ (9,792) | $ (26,847) |
| **Weighted average number of common shares outstanding** | | | |
| Basic | | 16,397,701 | 16,397,701 |
| Diluted | | 16,397,701 | 16,397,701 |
| **Basic and diluted loss per common share** | | $ (0.00) | $ (0.00) |

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

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

| | Three-months ended June 30, 2024 | Three-months ended June 30, 2023 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss for the period | $ (9,792) | $ (26,847) |
| Item not involving cash: | | |
| Share-based payments | 678 | - |
| Changes in non-cash working capital items: | | |
| Amounts receivable | 4,005 | 2,132 |
| Prepaid expenses | - | (2,816) |
| Trade and other payables | 5,551 | (5,932) |
| Due to related parties | - | (1,206) |
| **Net cash used in operating activities** | 442 | (34,669) |
| **Change in cash during the period** | 442 | (34,669) |
| **Cash and cash equivalents, beginning of the period** | 148,990 | 261,967 |
| **Cash and cash equivalents, end of the period** | $ 149,432 | $ 227,298 |
| **Cash and cash equivalents consists of:** | | |
| Cash | $ 19,432 | $ 22,298 |
| Short-term deposits | 130,000 | 205,000 |
| | $ 149,432 | $ 227,298 |
| **Supplemental Cash Flow Information** | | |
| 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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | | Amount | | Deficit | | Reserves | | Total |
| **Balance at March 31, 2024** | 16,397,701 | $ | 669,886 | $ | (553,264) | $ | 15,122 | $ | 131,744 |
| Share-based payments | - | | - | | - | | 678 | | 678 |
| Net loss for the period | - | | - | | (9,792) | | - | | (9,792) |
| **Balance at June 30, 2024** | 16,397,701 | $ | 669,886 | $ | (563,056) | $ | 15,800 | $ | 122,630 |

| | Common Shares | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | | Amount | | Deficit | | Reserves | | Total |
| **Balance at March 31, 2023** | 16,397,701 | $ | 669,886 | $ | (140,703) | $ | - | $ | 529,183 |
| Net loss for the period | - | | - | | (26,847) | | - | | (26,847) |
| **Balance at June 30, 2023** | 16,397,701 | $ | 669,886 | $ | (167,550) | $ | - | $ | 502,336 |

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

## 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 14, 2022, a Prospectus filed by the Company was given final receipt by the British Columbia Securities Commission and on January 9, 2023, the Company's common shares began trading on the Canadian Securities Exchange ("CSE"). The shares of the Company currently trades under the symbol "ADPT" on the CSE.

These condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

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 the mission of improving and empowering human health and wellness.

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 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.

As at June 30, 2024, the Company had not yet achieved profitable operations, had an accumulated deficit of $563,056 since inception, and expects to incur further losses in the development of its business. These events and conditions indicate a material uncertainty that may cast substantial doubt on the Company's ability to continue as a going concern. The Company's continuation as a going concern is primarily dependent upon its ability to raise financing from equity markets or borrowings and successful development and launch of its functional mushroom and nutritional supplement alternatives to the market. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

The head office 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 comparatives, are unaudited and have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

## 2. BASIS OF PRESENTATION (continued):

b) **Statement of compliance and basis of measurement (continued):**

These condensed interim financial statements of the Company for the three-month period ended June 30, 2024 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 26, 2024.

**c) Functional currency and presentation currency**

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

## 3. MATERIAL ACCOUNTING POLICIES

**a) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position are comprised of cash at banks and on hand, and short-term deposits which are cashable without penalty and are readily convertible into a known amount of cash, and subject to an insignificant risk of change in fair value.

**b) Financial instruments**

**Financial assets**
The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

**Financial assets at FVTPL:** Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed as incurred. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are recognized in profit or loss.

**Financial assets at FVTOCI:** Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss).

**Financial assets at amortized cost:** A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

**Impairment of financial assets at amortized cost:** The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

## 3. MATERIAL ACCOUNTING POLICIES (continued):

### b) Financial instruments (continued):

The following table shows the classification of the Company's financial assets and liabilities under IFRS:

| Financial asset or liability | IFRS 9 Classification |
|---|---|
| Cash and cash equivalents | FVTPL |
| Trade and other payables | Amortized cost |
| Due to related parties | Amortized cost |

### c) Revenue

Revenue is recognized when payment for goods is received from the customer. At that time, transfer of control of the goods is determined by respective shipping terms and certain additional considerations. The Company does not have performance obligations subsequent to delivery on the sale of the goods to the customer and revenues from sale of goods are recognized at a "point-in-time" which is upon passing of control to the customer.

### d) Inventory

Inventory is valued at the lower of cost and net realizable value. The aggregate cost for the produced inventory includes costs such as materials, third-party labour, packaging and labelling. These costs are then allocated on a per-unit basis for the product produced and relieved to profit or loss and the direct and indirect costs as these units are sold.

During the year ended March 31, 2024, the Company impaired $38,756 (2023 - $Nil) of its inventories. As the Company has had minimal product sales to date and in accordance to IAS 2, the Company's inventories was written down to $nil.

### e) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, warrants, and stock options are classified as equity instruments. Incremental costs directly attributable to the issue of new common shares, warrants or stock options are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component, as determined by the closing quoted bid price on the issuance date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

## 3. MATERIAL ACCOUNTING POLICIES (continued):

### f) Loss per common share

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the period.

Diluted loss per share has been calculated using the weighted average number of common shares that would have been outstanding during the respective period had all of the stock options and warrants outstanding at year-end having a dilutive effect been converted into shares at the beginning of the year and the proceeds used to repurchase the Company’s common shares at the average market price for the year. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

### g) Share-based compensation

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Share-based payments to non-employees are measured at the fair value of the goods or services received or if such fair value is not reliably measurable, at the fair value of the equity instruments issued.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. The amounts recorded in reserves for unexercised share options remain in share-based payments reserve upon their expiry or cancellation.

## 3. MATERIAL ACCOUNTING POLICIES (continued):

### h) New standards, interpretations and amendments adopted

**Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies**

These amendments continue the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include: requiring companies to disclose their material accounting policies instead of their significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

These amendments were adopted by the Company effective April 1, 2023. The adoption of the amendments reduced the disclosure of accounting policies of the Company.

### i) New standards, interpretations and amendments not yet adopted

As at June 30, 2024, the following accounting standards and amendments are effective for future periods. The Company is in the process of assessing the potential impact upon adoption.

**IFRS 18 Presentation and Disclosure in Financial Statements**

IFRS 18 introduces three sets of new requirements to give investors more transparent and comparable information about companies' financial performance for better investment decisions.

- Three defined categories for income and expenses - operating, investing and financing - to improve the structure of the income statement, and require all companies to provide new defined subtotals, including operating profit.
- Requirement for companies to disclose explanations of management-defined performance measures (MPMs) that are related to the income statement.
- Enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes.

This new standard is effective for reporting periods beginning on or after January 1, 2027

## 4. 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.

**(Expressed in Canadian Dollars)**

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued):

*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.

## 5. SHARE CAPITAL

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

During the three-month periods ended June 30, 2024 and 2023, there were no common shares issued by the Company.

Upon the Company's shares being listed on the CSE, certain common shares held by the Company's directors were subject to escrow. As at June 30, 2024, the Company had 1,806,001 common shares remaining in escrow which will be fully released over the next 18 months in equal installments.

## 6. 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.

On August 16, 2023, the Company granted 550,000 stock options to certain directors, an officer and consultants at an exercise price of $0.10. The stock options are now fully vested and expire on August 15, 2026.

The Company had recognized $15,122 for share-based payments for the year-ended ended March 31, 2024. The fair value of the 550,000 stock options was estimated using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 4.80%, a dividend yield of nil, a weighted average expected annual volatility of the Company's share price of 100% and an expected life of 3 years. The fair value of the stock options was $0.06 per option. The expected volatility assumption is based on the estimated volatility of comparable early-stage companies. The risk-free interest rate is based on yield curves on the Canadian government zero-coupon bonds or Canadian government treasury bills with a remaining term equal to the options' expected life.

The change in stock options issued for the three-month period ended June 30, 2024 is as follows:

| | Number of options | Exercise price |
|---|---|---|
| Balance, March 31, 2024 | 550,000 | $ 0.10 |
| Balance, June 30, 2024 | 550,000 | $ 0.10 |

## 6. SHARE-BASED PAYMENTS (continued):

Stock Options (continued):

| Expiry Date | Number of options | | Exercise Price |
|---|---|---|---|
| August 15, 2026 | 550,000 | $ | 0.10 |

## 7. 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 and 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 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. 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 June 30, 2024, the Company had a cash and cash equivalents balance of $149,432 to settle current liabilities of $27,523. The Company expects to fund future liabilities through the issuance of capital stock. See Note 1 for discussion of going concern risk.

## 7. 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 June 30, 2024, the Company had $130,000 invested in investment-grade short-term deposit certificates earning 4.75% interest per annum. The Company is not subject to significant interest rate risk.

## 8. 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 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 financing 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 three-month period ended June 30, 2024. The Company is not subject to externally imposed capital requirements.

## 9. 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.

(Expressed in Canadian Dollars)

## 9. RELATED PARTY TRANSACTIONS (continued):

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

| | Three-months ended June 30, 2024 | Three-months ended June 30, 2023 |
|---|---|---|
| Management fees | $ 1,000 | $ 13,500 |
| Share-based payments | 370 | - |
| Total | $ 1,370 | $ 13,500 |

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

- During the three-month period ended June 30, 2024, the Company paid or accrued management fees totaling $nil (Q1-FY2024 -$6,000) to Daryl Ware-Lane, a director and the CEO of the Company.
- During the three-month period ended June 30, 2024, the Company paid or accrued management fees totaling $nil (Q1-FY2024 - $3,000) to Blue Ocean Productions Ltd., a company controlled by David Heel, a director and the VP Sales for the Company.
- During the three-month period ended June 30, 2024, the Company paid or accrued management fees totaling $nil (Q1-FY2024 - $3,000) to Hani Zabaneh, a director of the Company and COO of the Company.
- During the three-month period ended June 30, 2024, the Company paid or accrued management fees totaling $1,000 (Q1-FY2024 - $1,500) to MJJ Corporate Services Inc., a company controlled by Ming Jang, the CFO of the Company.

As at June 30, 2024, the Company had $1,000 (Q1-FY2024 - $4,725) due to related parties. The amounts owing are unsecured, non-interest bearing and have no specific terms of repayment.

## 10. SUBSEQUENT EVENT

Subsequent to the period ended June 30, 2024, an aggregate of 451,500 common shares of the Company were released from escrow.