Rapid Dose Therapeutics Corp.

(formerly Acme Resources Corp.)

Consolidated Financial Statements

For the Year Ended February 28, 2019 and
From Incorporation on May 3, 2017 to February 28, 2018

(All monetary amounts are in Canadian dollars, unless specified otherwise)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Rapid Dose Therapeutics Corp. (formerly Acme Resources Corp.) are the responsibility of the management and Board of Directors of the Company.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the date of the consolidated statements of financial position. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Mark Upsdell"

Mark Upsdell
Chief Executive Officer

"Ian Fodie"

Ian Fodie
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Rapid Dose Therapeutics Corp. (formerly Acme Resources Corp.):

Opinion

We have audited the consolidated financial statements of Rapid Dose Therapeutics Corp. (formerly Acme Resources Corp.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2019 and February 28, 2018, and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the year ended February 28, 2019 and for the period from incorporation on May 3, 2017 to February 28, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at February 28, 2019 and February 28, 2018, and its consolidated financial performance and its consolidated cash flows for the year ended February 28, 2019 and for the period from incorporation on May 3, 2017 to February 28, 2018, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss and comprehensive loss of $11,411,044 during the year ended February 28, 2019 and currently does not produce revenue from operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sean Patrick Crewe.

MNP LLP

Mississauga, Ontario
May 28, 2019

Chartered Professional Accountants
Licensed Public Accountants

Rapid Dose Therapeutics Corp.
(formerly Acme Resources Corp.)

Consolidated Statements of Financial Position
As at February 28, 2019 and 2018
(All monetary amounts are in Canadian dollars, unless specified otherwise)

	2019	2018
	$	$
Assets		
Current assets		
Cash and cash equivalents	**1,266,880**	326,267
Short-term investments (Note 5)	**2,224,906**	-
Amounts receivable (Note 6)	**286,092**	82,486
Employee advances (Note 17)	**15,536**	3,707
Inventory (Note 7)	**138,865**	-
Prepaid expenses	**167,449**	143,402
	4,099,728	555,862
Non-current assets		
Property and equipment (Note 8)	**1,683,514**	172,668
Total assets	**5,783,242**	728,530
Liabilities		
Current liabilities		
Amounts payable (Note 9, 17)	**952,830**	139,830
Deferred revenue (Note 10)	**1,002,760**	-
	1,955,590	139,830
Shareholders' equity		
Share capital		
Common shares (Note 11)	**16,673,525**	2,016,280
Warrants reserve (Note 12)	**67,033**	74,282
Accumulated other comprehensive income	**(12,699)**	-
Deficit	**(12,900,207)**	(1,501,862)
Total shareholders' equity	**3,827,652**	588,700
Total liabilities and shareholders' equity	**5,783,242**	728,530

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 14)

Subsequent events (Note 18)

Rapid Dose Therapeutics Corp.
(formerly Acme Resources Corp.)

Consolidated Statements of Loss and Comprehensive Loss
For the year ended February 28, 2019 and from incorporation on May 3, 2017 to February 28, 2018
(All monetary amounts are in Canadian dollars, unless specified otherwise)

	February 28, 2019	May 3,2017 to February 28, 2018
	$	$
Expenses		
Wages and benefits (Note 17)	**1,194,118**	-
Consulting fees	**642,522**	991,346
Research and development	**222,353**	239,548
Marketing and business development	**243,875**	47,717
Office and administration	**301,425**	18,372
Rent	**121,521**	24,000
Professional fees	**259,710**	90,606
Listing expense (Note 4)	**8,206,424**	-
Depreciation (Note 8)	**156,277**	988
Travel	**100,233**	89,285
Insurance	**33,258**	-
	11,481,716	1,501,862
Loss from operations	**(11,481,716)**	(1,501,862)
Gain on fair value of short-term investments (Note 5)	**83,170**	-
Interest income	**201**	-
Net loss before other comprehensive loss	**(11,398,345)**	(1,501,862)
Loss on foreign exchange translation	**(12,699)**	-
Net loss and comprehensive loss	**(11,411,044)**	(1,501,862)
Net loss per share		
Basic and diluted	**(0.18)**	(0.04)
Weighted average number of common shares outstanding		
Basic and diluted	**62,749,262**	34,111,028

Rapid Dose Therapeutics Corp.

(formerly Acme Resources Corp.)

Consolidated Statements of Shareholders' Equity
For the year ended February 28, 2019 and from incorporation on May 3, 2017 to February 28, 2018
(All monetary amounts are in Canadian dollars, unless specified otherwise)

	Number of shares	Share capital	Accumulated other comprehensive income	Warrant reserve	Deficit	Total shareholders' equity
	#	$	$	$	$	$
Balance, May 3, 2017	**-**	**-**	**-**	**-**	**-**	**-**
Shares issued on private placements, net (Note 11(b)(i)(ii)(iii)(iv)(v))	4,149,950	1,096,636	-	74,282	-	1,170,918
Shares issued for services (Note 11(b)(vi))	50,181,250	919,644	-	-	-	919,644
Net loss	-	-	-	-	(1,501,862)	(1,501,862)
Balance, February 28, 2018	**54,331,200**	**2,016,280**	**-**	**74,282**	**(1,502,862)**	**588,700**
Shares issued on private placements, net (Note 11(b)(ix)(x))	**10,410,000**	**6,889,900**	**-**	**-**	**-**	**6,889,900**
Shares issued for services (Note 11(b)(vii))	**100,000**	**50,000**	**-**	**-**	**-**	**50,000**
Shares issued on RTO transaction (Note 4, 11(b)(xi))	**10,180,127**	**7,635,096**	**-**	**-**	**-**	**7,635,096**
Shares issued on exercise of warrants (Note 11(b)(xi))	**100,000**	**82,249**	**-**	**(7,249)**	**-**	**75,000**
Loss on foreign exchange translation	**-**	**-**	**(12,699)**	**-**	**-**	**(12,699)**
Net loss	**-**	**-**	**-**	**-**	**(11,398,345)**	**(11,398,345)**
Balance, February 28, 2019	**75,121,327**	**16,673,525**	**(12,699)**	**67,033**	**(12,900,207)**	**3,827,652**

Rapid Dose Therapeutics Corp.

(formerly Acme Resources Corp.)

Consolidated Statements of Cash Flows

For the year ended February 28, 2019 and from incorporation on May 3, 2017 to February 28, 2018
(All monetary amounts are in Canadian dollars, unless specified otherwise)

	February 28, 2019	May 3, 2017 to February 28, 2018
	$	$
Operating activities		
Net loss	**(11,398,345)**	(1,501,862)
Non-cash adjustments		
Depreciation	**156,277**	988
Issuance of common shares for services	**50,000**	919,644
Listing expense	**7,613,711**	-
Foreign exchange translation	**(12,699)**	-
Changes in non-cash operating working capital items		
Amounts receivable	**(203,606)**	(82,486)
Employee advances	**(11,829)**	(3,707)
Prepaid expenses	**(7,063)**	(143,402)
Inventory	**(97,853)**	-
Amounts payable	**776,389**	139,830
Deferred revenue	**1,002,760**	-
Total operating activities	**(2,132,258)**	(670,995)
Investing activities		
Purchase of property and equipment	**(1,667,123)**	(173,656)
Purchase of short-term investments	**(2,224,906)**	-
Total investing activities	**(3,892,029)**	(173,656)
Financing activities		
Proceeds from issuance of common shares, net	**6,889,900**	1,170,918
Proceeds from exercise of warrants	**75,000**	-
Total financing activities	**6,964,900**	1,170,918
Net increase in cash	**940,613**	326,267
Cash and cash equivalents, beginning of year	**326,267**	-
Cash and cash equivalents, end of year	**1,266,880**	326,267

1. Nature of operations and going concern uncertainty

Nature of business

Rapid Dose Therapeutics Corp. (formerly Acme Resources Corp.) (The “Company”) is a publicly traded Canadian life sciences company that provides innovative, proprietary drug delivery technologies designed to improve outcomes and quality of lives. The Company was incorporated under the Canada Business Corporations Act of British Columbia on May 3, 2017.

The Company’s office is located at 1121 Walker’s Line, Unit 3, Burlington, ON., L7N 2G4.

Going concern uncertainty

The Company’s operations during the year ended February 28, 2019, produced a net loss and comprehensive loss of $11,411,044 as compared to a loss and comprehensive loss of $1,501,862, from the date of incorporation, May 3, 2017 to February 28, 2018. Including in this year’s net loss and comprehensive loss is an amount of $8,206,424 which are the listing expenses related to the reverse take-over transaction completed during the year.

The Company will need to raise additional equity to finance its operations and complete the commercial launch of its products. Although the Company has been successful in the past in obtaining financing and it believes that it will continue to be successful, there is no assurance that it will be able to obtain adequate financing in the future, or that such financing will be on terms that are advantageous to the Company. These material uncertainties cast significant doubt as to the Company’s ability to continue as a going concern.

These consolidated 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. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. Basis of preparation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) using the accounting policies described herein as issued by International Accounting Standards Board (“IASB”). The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

This is the first fiscal year of the Company’s consolidated financial statements where IFRS 15 – “Revenue from Contracts with Customers” (“IFRS 15”) and IFRS 9 – “Financial Instruments” (“IFRS 9”) have been applied. The changes in accounting policies from those used in the Company’s consolidated financial statements for the period from incorporation on May 3, 2017 to February 28, 2018 are described in Note 3.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on May 28, 2019.

Basis of measurement

These consolidated financial statements have been prepared on a accrual basis and under the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in this note.

Presentation and functional currency

These consolidated financial statements are presented in Canadian dollars. The Canadian dollar is the functional currency of the Company and its Canadian subsidiary. The US dollar is the functional currency for the US subsidiary of the Company. These consolidated financial statements have been prepared on a accrual basis and under the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in this note.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries (collectively the “Company”) which include, its wholly owned subsidiaries, Rapid Dose Therapeutics Inc., a Company incorporated in the Province of British Colombia, and RDT Therapeutics Inc., a company registered in the state of Delaware, USA. All intercompany balances and transactions have been eliminated on consolidation.

2. Basis of preparation (continued)

Subsidiaries

Subsidiaries are entities over which the Company has control. Control is achieved when the Company has power over its subsidiaries, has exposure or rights to variable returns from the subsidiaries and has the ability to use its power to affect the amount of its returns. Subsidiaries are fully consolidated from the date the Company acquires control of them and are deconsolidated from the date control ceases. All Intercompany balances and transactions with subsidiaries are eliminated upon consolidation.

Critical accounting estimates and judgements

The preparation of these consolidated financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the year. Estimates and assumptions are evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results can differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

The significant areas of estimation and/or judgment considered by management in preparing the consolidated financial statements are described below:

Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

Estimated useful life of long-lived assets

Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

Impairment of long-lived assets

Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. For the purposes of measuring recoverable values, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable value is the greater of an asset's fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable value.

Provisions

Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the consolidated financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company. The adequacy of provisions is regularly assessed as new information becomes available.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

The Company's effective income tax rate can vary significantly for various reasons, including the mix and volume of business in lower income tax jurisdictions and in jurisdictions for which no deferred income tax assets have been recognized because management believed it was not probable that future taxable profit would be available against which income tax losses and deductible temporary differences could be utilized.

2. Basis of preparation (continued)

Critical accounting estimates and judgements (continued)

Determination of share-based payments

The estimation of share-based payments (including options and warrants) requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The model used by the Company is the Black-Scholes valuation model at the date of the grant. The Company makes estimates as to the volatility, the expected life, dividend yield and the time of exercise, as applicable. The expected volatility is based on the average volatility of share prices of similar companies over the period of the expected life of the applicable options and warrants. The expected life is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

3. Summary of significant accounting policies

Revenue recognition

IFRS 15 outlines a single comprehensive model to account for revenue arising from contracts with customers and replaced the majority of existing IFRS requirements on revenue recognition including IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. The core principle of the standard is to recognize revenue to depict the transfer of control of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard has prescribed a five-step model to apply the principles. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract as well as requiring more informative and relevant disclosures. In April 2016, the IASB issued amendments to IFRS 15, which provided additional guidance on the identification of performance obligations, on assessing principal versus agent considerations and on licensing revenue.

The Company has adopted IFRS 15 with an initial adoption date of March 1, 2018. The Company utilized the modified retrospective method to adopt the new standard. There was no material impact on the Company's consolidated net loss or consolidated financial position resulting from the adoption of IFRS 15.

In determining the appropriate amount of revenue to be recognized, the Company performs the following steps:

- (i) identification of the promised goods or services in the contract
- (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract;
- (iii) measurement of the transaction price, including the constraint on variable consideration;
- (iv) allocation of the transaction price to the performance obligations; and
- (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company generates revenue through Managed Strip Services agreements ("MSSA's"), under which it provides rights to certain intellectual property, trademarks and the use of its processing equipment to third parties. The terms of these arrangements typically include payment to the Company of one or more of the following: signing and acceptance fees, monthly minimum service fees, and variable service fees based on net sales of product.

MSSA Signing and Acceptance Fees: The right to the Company's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, and the Company recognizes revenues from signing and acceptance fees allocated to the MSSA when the rights are transferred to the customer and the customer is able to use and benefit from these rights.

The Company receives payments from its customers based on billing schedules established in each contract. Up-front payments and fees are recorded as deferred revenue upon receipt, or when due, and may require deferral of revenue recognition to a future period until the Company performs its obligations under these arrangements. Amounts are recorded as recognized as revenue when the Company's performance obligations have been fulfilled and the Company's right to consideration is unconditional.

Minimum Service Fees: The Company recognizes revenue at the time each performance obligation under the contract is satisfied.

Variable Service Fees: The Company recognizes revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the service payments have been allocated has been satisfied

(All monetary amounts are in Canadian dollars, unless specified otherwise)

3. Summary of significant accounting policies (continued)

Financial instruments

The Company has adopted IFRS 9 with a date of initial application of March 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets, amends the requirements related to hedge accounting, and introduces a forward-looking expected loss impairments model.

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated as described below. There was no impact on the consolidated financial statements as at February 28, 2019.

The standard contains three classifications categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and the adoption of IFRS 9 did not change the Company's accounting policies for financial liabilities.

The classification changes for each class of the Company's financial assets and financial liabilities upon adoption at March 1, 2018 had no impact on the measurement of financial instruments, which are summarized in the following table:

	Previous classification under IAS 39	**Classification under IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost
Short-term investment	FVTPL	FVTPL
Amounts receivable, excluding HST	Loans and receivables	Amortized cost
Employee advances	Other assets	Amortized cost
Prepaid expenses	Other assets	Amortized cost
Amounts payable and accrued liabilities	Other liabilities	Amortized cost

As a result of the adoption of IFRS 9, the Company's accounting policies for financial instruments have been updated and applied from March 1, 2018 and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The changes in accounting policies will also be reflected in the Company's consolidated financial statements as at and for the year ending February 28, 2019. The Company has adopted IFRS 9 retrospectively, and the adoption of IFRS 9 did not result in any transition adjustments being recognized as at March 1, 2018.

(i) Financial assets and liabilities

Financial assets are initially measured at fair value. On initial recognition, the Company classifies its financial assets at either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions: a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The adoption of IFRS 9 did not impact the Company's accounting policies for the financial liabilities.

(ii) Impairment of financial assets

For trade and other receivables, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected credit loss provision for all trade and other receivables. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due under the contract and the cash flows that the Company expects to receive. The expected cash flows reflect all available information, including the Company's historical experience, the past due status, the existence of third-party insurance and forward-looking macroeconomic factors.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

The estimated fair values of cash and cash equivalents, short-term investments, amounts receivable, employee advances, prepaid expenses and amounts payable approximate their carrying values due to the relatively short-term nature of the instruments.

The fair values of the financial assets and liabilities are shown at the amount which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The assumption that the instruments' fair values approximate their carrying amounts is largely due to the short-term maturities of these instruments.

Financial instruments are recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level I Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level II Valuation techniques based on inputs, other than quoted prices included in Level I, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices); and

Level III Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the years ended February 28, 2019 and February 28, 2018, cash and cash equivalents and short-term investments were measured at Level I on the hierarchy. The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. During the years ended February 28, 2019 and February 28, 2018, there were no transfers of amounts between levels.

Cash and cash equivalents

Cash and cash equivalents consist of cash deposits in banks and highly liquid investment savings accounts. At February 28, 2019, the Company held both cash and cash equivalents. At February 28, 2018, the Company held only cash.

Short-term investments

Short-term investments are recorded at fair value with gains and losses recorded in the statement of operations and changes in net assets in the period in which they arise. Short-term investments are comprised of a portfolio of funds managed by investment professionals.

Inventory

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses. All inventories are reviewed for impairment due to slow movement or obsolescence. Any provisions for obsolete, slow moving or defective inventories are recognized in profit or loss. Previous write downs to net realizable value are reversed to the extent there is a subsequent increase in the net realizable value of the inventory. Additionally, the Company makes estimates for inventory shrinkage using historical trends from actual physical inventories, which are performed periodically.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment. All other repair and maintenance costs are recognized in the consolidated statement of loss and comprehensive loss.

The initial cost of property and equipment comprises its purchase price or construction cost and any costs directly attributable to bringing it to a working condition for its intended use. The purchase price or construction cost is the aggregate amount of cash consideration paid and the fair value of any other consideration given to acquire the asset. Where an item of property and equipment is comprised of significant components with different useful lives, the components are accounted for as separate items of property and equipment.

3. Summary of significant accounting policies (continued)

Property and equipment (continued)

For all property and equipment, depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation on leasehold improvements is calculated straight-line over the term of the lease. For all other property and equipment, depreciation is calculated using the declining balance method using the following annual rates:

Processing equipment	20%
Research and development equipment	20%
Portable building units	10%
Computer and office equipment	20%
Leasehold improvements	Over the term of the lease
Furniture and fixtures	20%

Impairment of non-financial assets

The carrying value of property and equipment is assessed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Events or changes in circumstances which may indicate impairment include: a significant change to the Company's operations, significant decline in performance, or a change in market conditions which adversely affect the Company. The recoverable amount is determined as the higher of the fair value less costs of disposal ("FVLCD") and its value in use based on discounted cash flows.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, referred to as a cash generating unit ("CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded.

Foreign currency translation

Assets and liabilities of subsidiaries having a functional currency other than the Canadian dollar are translated at the rate of exchange at the reporting period date. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transaction are used. The resulting foreign currency translation adjustments are recognized in the accumulated other comprehensive income (loss) included in shareholders' equity. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Gains and losses on translation of monetary items are recognized in the consolidated statement of loss and comprehensive loss.

Income taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on the taxable loss or income for the period. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and current income tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred income tax

Deferred income tax is provided on temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be generated in future periods to utilize these deductible temporary differences.

3. Summary of significant accounting policies (continued)

Income taxes (continued)

Deferred income tax (continued)

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be generated to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be generated to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Judgment is required in determining whether deferred income tax assets and liabilities are recognized on the consolidated statements of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate future taxable income in order to utilize the deferred income tax assets. Estimates of future taxable income are based on forecasted cash flows from operations or other activities. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded on the reporting date could be impacted.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement on the inception date.

Finance leases

Finance leases which transfer substantially all the risks and rewards incidental to ownership of the leased item to the Company as a lessee, are capitalized at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability. Finance charges are recognized in finance cost in the consolidated statement of loss and comprehensive loss.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the term of the lease.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership to the Company as a lessee are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of loss and comprehensive loss on a straight-line basis over the lease term.

Provisions and contingencies

Provisions are recognized when: a) the Company has a present obligation (legal or constructive) as a result of a past event; and b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision as a result of the passage of time is recognized in finance cost in the consolidated statements of loss.

3. Summary of significant accounting policies (continued)

Provisions and contingencies (continued)

A contingent liability is not recognized in the case where no reliable estimate can be made; however, disclosure is required unless the possibility of an outflow of resources embodying economic benefits is remote. By its nature, a contingent liability will only be resolved when one or more future events occur or fail to occur. The assessment of a contingent liability inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recorded when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Earnings per share

Basic earnings per share is computed by dividing the net earnings available to common shareholders by the weighted average number of shares outstanding during the reporting period.

Diluted earnings per share reflects the potential dilution that could occur if additional common shares are assumed to be issued under securities that entitle their holders to obtain common shares in the future. The number of additional shares for inclusion in diluted earnings per share is determined using the treasury stock method, whereby stock options and warrants, whose exercise price is less than the average market price of the Company's common shares, are assumed to be exercised at the beginning of the period with proceeds based on the average market price for the period. The incremental number of common shares issued under stock options is included in the calculation of diluted earnings per share.

Share based compensation

The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Stock options are measured on the date of grant by reference to the fair value determined using a Black-Scholes valuation model.

The value is recognized as share-based compensation expense in the consolidated statement of loss and other comprehensive loss and an increase to contributed surplus in the consolidated statements of changes in equity over the period in which the performance and/or service conditions are fulfilled.

For share-based payments granted to non-employees, the compensation expense is measured at the fair value of the goods and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted.

Share capital

In situations where the Company issues units containing a common share and a whole or fractional warrant, the fair value of shares and warrants are recorded based on relative fair values. The relative fair value of the warrants, as calculated as of the date of issue using the Black Scholes pricing model, is included in the Company's contributed surplus.

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

(All monetary amounts are in Canadian dollars, unless specified otherwise)

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective and adopted

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, Leases, effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. IFRS 16 will replace IAS 17, Leases. The Company intends to adopt IFRS 16 in its financial statements for the fiscal year beginning on March 1, 2019. IFRS 16 removes the distinction between operating and finance leases from the lessee's perspective and introduces a single lessee accounting model. The standard requires a lessee to recognize a "right of use" asset and a corresponding lease liability for substantially all leases, with the exception of leases with terms less than 12 months and leases of low value assets. Requirements for lessor accounting are largely unchanged from IAS 17. IFRS 16 will also result in reclassification of the nature of lease expenses to depreciation and interest expense, from their classification of "premises expense" under IAS 17.

The Company has adopted IFRS 16 as of March 1, 2019 using the modified retrospective approach. Under this approach, the cumulative effect of adopting IFRS 16, if any, will be recognized as an adjustment to opening retained earnings as at March 1, 2019, with no restatement of comparative information.

Based on the information currently available, the Company estimates that it will recognize a lease liability and right to use asset. The Company's preliminary estimate is subject to adjustment as management continues to monitor and refine certain elements of its IFRS 16 adoption in advance of fiscal 2020 interim reporting. The Company is on track to complete its implementation of IFRS 16 effective March 1, 2019.

4. Reverse take-over transaction

On July 11, 2018, Rapid Dose Therapeutics Inc. ("RDT") and Acme Resources Ltd. ("Acme") entered into an amalgamation agreement, as amended on December 6, 2018, to carry-out a three-cornered amalgamation for the purposes of effecting a reverse take-over of Acme by RDT (the "RTO Transaction"). The RTO Transaction closed on December 7, 2018 with the Company changing its name to Rapid Dose Therapeutics Corp. (the "Company"). The Company's newly formed subsidiary amalgamated with RDT, with shareholders of RDT receiving shares of the Company on a 1:1 basis in exchange for RDT shares. A new board and new management assumed control of the Company on December 7, 2018 and the shares of the Company resumed trading on the Canadian Securities Exchange under the new trading symbol DOSE.

The completion of the RTO Transaction resulted in the former shareholders of Acme holding approximately 9% of the issued and outstanding common shares of RDT. Accordingly, Acme is considered to have acquired RDT with the RTO Transaction being accounted for as a reverse takeover of RDT by the Acme shareholders.

The RTO Transaction constituted a reverse asset acquisition by RDT, as the Company did not meet the definition of a business, as defined in IFRS 3 Business Combinations, as its main attribute was its public listing. As such, the RTO Transaction was accounted for in accordance with IFRS 2 Share Based Payments. For accounting purposes, RDT is deemed to have acquired 100% of the outstanding shares of Acme by issuing 5,272,190 common shares to Acme, with a value of $0.75 per share, based on the most recent financing. The common shares issued to Acme had a total value of approximately $3,954,143.

In addition, RDT issued 4,907,937 common shares, at $0.75 per common share, as compensation to finders. The finders' common shares have a total value of approximately $3,680,953. The Company also incurred legal expenses of $622,878 related to the Transaction.

	$
Consideration	**3,954,143**
Net assets of Acme Resource Ltd.	
Cash	(30,164)
Other current assets	(57,996)
Current liabilities	36,610
Net assets acquired	**(51,550)**
Transaction costs related to the RTO Transaction	**4,303,831**
Total listing expense	**8,206,424**

(All monetary amounts are in Canadian dollars, unless specified otherwise)

5. Short-term investments

	As at February 28, 2019	As at February 28, 2018
	$	$
Fixed income	**1,181,678**	-
Domestic equity securities	**305,459**	-
Foreign equity securities	**293,962**	-
Mutual funds	**443,807**	-
	2,224,906	**-**

As at February 28, 2019, the Company recorded $83,170 in gains on the fair value of these investments (2018 - $nil).

6. Amounts receivable

	As at February 28, 2019	As at February 28, 2018
	$	$
HST receivable	**286,092**	50,080
Subscriptions receivable	**-**	32,406
	286,092	82,486

7. Inventory

	As at February 28, 2019	As at February 28, 2018
	$	$
Finished goods - nutraceuticals	**74,862**	-
Raw materials	**3,722**	-
Labels and packaging	**60,281**	-
	138,865	**-**

During the year ended February 28, 2019, $nil inventory was expensed to cost of sales (2018 - $nil).

8. Property and equipment

	Cost, beginning of the year	Additions during the year	Disposals during the year	Cost, end of the year
	$	**$**	**$**	**$**
Furniture and fixtures	3,600	32,450	-	36,050
Research and development equipment	13,462	128,317	-	141,779
Portable building units	-	358,088	-	358,088
Computer hardware	-	93,833	-	93,833
Leasehold improvements	-	38,678	-	38,678
Processing equipment	156,594	1,015,757	-	1,172,351
Balance at, February 28, 2019	**173,656**	**1,667,123**	**-**	**1,840,779**

(All monetary amounts are in Canadian dollars, unless specified otherwise)

8. Property and equipment (Continued)

	Accumulated Depreciation, beginning of the year	Depreciation during the year	Accumulated depreciation, end of the year	Net book value, end of the year
	$	$	$	$
Furniture and fixtures	120	4,888	5,008	31,042
Research and development equipment	868	15,260	16,128	125,651
Portable building units	-	7,133	7,133	350,955
Computer hardware	-	4,299	4,299	89,534
Leasehold improvements	-	1,575	1,575	37,103
Processing equipment	-	123,122	123,122	1,049,229
Balance at, February 28, 2019	**988**	**156,277**	**157,265**	**1,683,514**

	Cost, beginning of the year	Additions during the year	Disposals during the year	Cost, end of the year
	$	$	$	$
Furniture and fixtures	-	3,600	-	3,600
Research and development equipment	-	13,462	-	13,462
Portable building units	-	-	-	-
Computer hardware	-	-	-	-
Leasehold improvements	-	-	-	-
Processing equipment	-	156,594	-	156,594
Balance at, February 28, 2018	**-**	**173,656**	**-**	**173,656**

	Accumulated Depreciation, beginning of the year	Depreciation during the year	Accumulated depreciation, end of the year	Net book value, end of the year
	$	$	$	$
Furniture and fixtures	-	120	120	3,480
Research and development equipment	-	868	868	12,594
Portable building units	-	-	-	-
Computer hardware	-	-	-	-
Leasehold improvements	-	-	-	-
Processing equipment	-	-	-	156,594
Balance at, February 28, 2018	**-**	**988**	**988**	**172,668**

Depreciation for the year ended February 28, 2019 was $156,277 (2018 - $988).

(All monetary amounts are in Canadian dollars, unless specified otherwise)

9. Amounts payable

	As at February 28, 2019	As at February 28, 2018
	$	$
Trade payables	**821,128**	79,072
Accrued liabilities	**131,702**	26,147
Related party – trade payables (Note 17)	**-**	34,611
	952,830	139,830

10. Deferred revenue

Deferred revenue includes receipts of MSSA signing fees, received prior to the Company fulfilling its obligations as disclosed in the Company's revenue recognition policy (Note 3). As at February 28, 2019, the Company held $1,002,760 in deferred revenue from MSSA signing fees (2018 - $nil). The Company has not recorded any revenue from MSSA's to date.

11. Share capital

(a) Authorized, issued and outstanding common shares

Authorized - Unlimited number of common shares without par value

Issued and outstanding - 75,121,327 at February 28, 2019 (2018 - 54,331,200)

(b) Transactions

(i) On May 3, 2017 the Company issued 1,200 common shares to the founders of the Company for gross proceeds of $12. The Company issued each common share at a price of $0.01 per share.

(ii) On June 14, 2017, the Company completed a financing, issuing 276,925 common shares for gross proceeds of $2,769. Each common share was issued at a price of $0.01 per share. Proceeds from this financing remained receivable at year end February 28, 2018 (Note 4).

(iii) On June 23, 2017, the Company completed a financing, issuing 1,481,825 common shares for gross proceeds of $29,637. Each common share was issued at a price of $0.02 per share. Proceeds from this financing remained receivable at year end February 28, 2018 (Note 4).

(iv) On November 6, 2017, the Company issued 840,000 units (the "Units") for gross proceeds of $420,000. The Company issued each Unit at a price of $0.50 per Unit, with each unit consisting of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder, on exercise, to purchase one common share of the Company for a period of five months subsequent to the date the Company's shares are first listed for trading on a Stock Exchange in Canada, at a price of $0.75 per share. A fair value of $74,282 was assigned to these warrants using the Black-Scholes valuation model with the following assumptions: share price $0.50, expected dividend yield 0%, expected volatility 90.29%, risk free rate of return 1.31% and an expected life of one year.

(v) On February 21, 2018, the Company completed a financing, issuing 1,550,000 common shares for gross proceeds of $775,000. Each common share was issued at a price of $0.50 per share. The Company paid cash commissions of $49,000 in relation to this financing.

(vi) During the year ended February 28, 2018, the Company issued 50,181,250 common shares in exchange for services provided in the amount of $919,644. Of these common shares issued, 30,876,250 were issued to executives of the Company in exchange for services provided in the amount of $525,309.

(All monetary amounts are in Canadian dollars, unless specified otherwise)

11. Share capital (continued)

(b) Transactions (Continued)

(vii) On April 9, 2018, the Company issued 100,000 common shares as compensation of consulting services with a value of $50,000. The common shares had a price of $0.50 per common share.

(viii) On July 1, 2018 the Company closed a non-brokered financing with the issuance of 3,210,000 common shares, at a price of $0.50 per common share for gross proceeds of $1,605,000. The Company paid cash commissions of $115,100 in relation to this private placement.

(ix) On August 24, 2018 the Company completed a non-brokered financing with the issuance 7,200,000 common shares at a price of $0.75 per common share, for gross proceeds of 5,400,000.

(x) On December 7, 2018, the Company issued 5,272,190 common shares in relation to the RTO transaction completed (Note 4). The common shares were issued at a price of $0.75 per common share and had a total value of $3,954,143. The Company issued an additional 4,907,937 common shares, at a price of $0.75 per common share, as a finders' fee related to the RTO transaction. The common shares issued had a value of $3,680,953.

(xi) On January 16, 2019, the Company issued 100,000 common shares on the exercise of 100,000 common share purchase warrants. The warrants were exercised at a price of $0.75 per common share for gross proceeds of $75,000. The warrants exercised had a fair value of $7,249.

(c) Stock options and share based compensation

The Company adopted a stock option plan (the "Stock Option Plan") under which it can grant options to directors, officers, employees and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the TSX-V.

As at February 28, 2019 and 2018, there are no options issued and outstanding under the stock option plan.

12. Warrants reserve

A summary of the continuity of warrant activity is as follows:

	Number of Warrants \#	Average Exercise Price $	Fair value $
Opening balance, May 3, 2017	-	-	-
Granted (Note 11(b)(v))	840,000	0.75	74,282
Exercised	-	-	-
Expired	-	-	-
Outstanding, February 28, 2018	840,000	0.75	74,285
Granted	-	-	-
Exercised (Note 11(b)(xii))	(100,000)	0.75	(7,249)
Expired	-	-	-
Outstanding, February 28, 2019	**740,000**	**0.75**	**67,033**

At February 28, 2019, 740,000 (2018 – 840,000) warrants were outstanding and exercisable.

Warrants Outstanding			Warrants Exercisable	
Exercise price range	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable
$	#	(years)	$	#
0.75	740,000	0.25	0.75	740,000
February 28, 2019	**740,000**	**0.25**	**0.75**	**740,000**

(All monetary amounts are in Canadian dollars, unless specified otherwise)

13. Income taxes

Current Tax

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2018 – 26.5%) to the effective tax rate is as follows:

	February 28, 2019 $	February 28, 2018 $
Net loss before recovery of income taxes	**(11,398,345)**	(1,501,862)
Expected income tax recovery	**(3,020,561)**	(397,990)
Tax rate changes and other adjustments	**(6,198)**	-
Non-deductible transaction costs	**2,194,859**	3,380
Share issuance costs recorded through equity	**(30,502)**	-
Changes in tax benefits not recognized	**862,402**	394,610
Income tax recovery (expense)	**-**	-

Deferred Tax

The following table summarizes the components of deferred tax:

	February 28, 2019 $	February 28, 2018 $
Deferred tax assets		
Losses carried forward - Canada	**51,942**	1,640
Losses carried forward - US	**128,274**	-
	180,216	1,640
Deferred tax liabilities		
Property and equipment and intangible assets	**(165,481)**	(1,640)
Short-term investments	**(14,735)**	-
	(180,216)	(1,640)
Net deferred tax asset (liability)	**-**	**-**

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	February 28, 2019 $	February 28, 2018 $
Losses carried forward - Canada	**4,579,252**	1,508,800
Losses carried forward - US	**57,305**	-
Share issuance costs	**133,501**	49,040
	4,770,058	1,557,840

The Canadian loss carry forwards expire as noted in the table below. The US loss carry forward may be carried forward indefinitely. Share issuance costs will be fully amortized in 2023. The remaining deductible temporary differences may be carried forward indefinitely.

The Company's Canadian income tax losses expire as follows:

	$
2038	1,563,638
2039	3,228,954
	4,792,592

14. Commitments and contingencies

(a) Legal matters

During the normal course of its operations, the Company may be involved in legal proceedings, claims and assessments. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Legal fees for such matters are expensed as incurred and the Company accrues for adverse outcomes as they become probable and estimable. At February 28, 2019, accruals for adverse outcomes were $nil. (2018 - $nil).

(b) Leases

Minimum lease payments under the current operating lease in respect of the office space used was $50,000 for the period expiring March 31, 2019.

On October 31, 2018, the Company signed a Sublease Agreement for 34,721 square feet of warehouse and office space at their current location. Lease payments commenced on January 1, 2019 and expire on March 31, 2024. Total minimum lease payments under the operating lease are $1,848,373 (2018 - $60,000). The office lease used expired on December 31, 2018 and was incorporated in the new sublease which commenced on January 1, 2019.

15. Financial risk management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

a) Credit risk management

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Company. Management's assessment of the Company's credit risk is low as it is primarily attributable to funds held in Canadian banks, sales tax recoverable from the federal government of Canada, where taxes are included in amounts receivable (Note 6), and amounts receivable from a shareholder of the Company (Note 17).

b) Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and result in dilution to the value of such interest. The Company intends on fulfilling its obligations.

As of February 28, 2019, the Company had a cash balance of $1,266,880 (2018 - $326,267) and other current assets of $2,832,848 (2018 - $229,595) to settle current liabilities of $1,955,590 (2018 - $139,830).

c) Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as they after the ability of the Company to develop or market its products and the future profitability of the Company.

(i) Price risk

The Company is exposed to price risk with respect to market prices of its products and manufacturing inputs. Price risk is remote since the Company is not a producing entity.

(ii) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to deposit excess cash in interest bearing accounts at its banking institutions.

Based on management's knowledge and experience of the financial markets, the Company believes that the movements in interest rates that are reasonably possible over the next year will not have a significant impact on the Company. The fair value of cash, accounts receivable, shareholder advances, accounts payable and accrued liabilities approximate carrying value due to the relatively short-term maturities of these instruments.

16. Capital risk management

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets, as well as with consideration of externally imposed capital requirements. In order to maintain or adjust the capital structure, the Company Aug issue new shares, or sell assets to reduce debt.

The Company considers cash, common shares and warrants reserve as its capital. During the year, the Company's strategy was to obtain enough capital to cover its expenses.

17. Related party transactions

Related parties include the members of the Board of Directors, key management personnel and any companies controlled by these individuals. Key management personnel include those persons having authority and responsibility for planning, directing and controlling activities of the Company.

As at February 28, 2019, the Company held employee advances of $15,536 (2018 - $3,707). These advances are unsecured and have no fixed terms of repayment.

Key management consists of the Chief Executive Officer, Chief Financial Officer and Senior Vice President, Business Development. Key management compensation for the year ended February 28, 2019 was $724,051 (2018 - $525,309).

18. Subsequent events

(i) Subsequent to February 28, 2019, 670,000 warrants were exercised for proceeds of $502,500. The warrants were exercised at a price of $0.75 per common share. The remaining 70,000 unexercised warrants expired on May 17, 2019.

(ii) Subsequent to February 28, 2019, the Company issued a total of 5,376,000 stock options with an exercise price of $0.82 expiring in 2024.