Rapid Dose Therapeutics Corp.

(formerly Acme Resources Ltd.)

Consolidated Financial Statements

February 29, 2020 and February 28, 2019

(expressed in Canadian dollars)

Rapid Dose Therapeutics Corp.

(formerly Acme Resources Ltd.)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Rapid Dose Therapeutics 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
Chief Executive Officer

Doug Hyland
Interim Chief Financial Officer

November 16, 2020

Independent Auditor's Report

To the Shareholders of Rapid Dose Therapeutics Corp.:

Opinion

We have audited the consolidated financial statements of Rapid Dose Therapeutics Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at February 29, 2020 and February 28, 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, 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 29, 2020 and February 28, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended 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 2 in the consolidated financial statements, which indicates that the Company had a working capital deficit of $3,064,808 and a net loss of $7,964,616 during the year ended February 29, 2020. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 — Chartered Professional Accountants

November 16, 2020 — Licensed Public Accountants

MNP

Rapid Dose Therapeutics Corp.

(formerly Acme Resources Ltd.)

Consolidated Statements of Financial Position

(expressed in Canadian dollars)

	Notes	As at February 29, 2020 $	As at February 28, 2019 $
Assets			
Current			
Cash and cash equivalents		3,469	1,266,880
Short-term investments	6	-	2,224,906
Amounts receivable	7	110,807	286,092
Employee advances		-	15,536
Inventory	8	210,399	138,865
Prepaid expenses	9	88,841	167,449
		413,516	4,099,728
Non-current			
Right-of-use asset	4 and 10	1,177,661	-
Property and equipment	11	2,698,568	1,683,514
		4,289,745	5,783,242
Liabilities			
Current			
Accounts payable and accrued liabilities		1,553,719	952,830
Due to a related party	12	129,000	-
Deferred revenue	13	1,531,842	1,002,760
Current portion of lease liability	4 and 14	263,763	-
		3,478,324	1,955,590
Non-current			
Lease liability	4 and 14	959,204	-
		4,437,528	1,955,590
Shareholders' equity			
Common shares	15	18,093,690	16,673,525
Warrant reserve	16	4,000	67,033
Contributed surplus	17	2,635,827	-
Accumulated other comprehensive loss		(16,477)	(12,699)
Deficit		(20,864,823)	(12,900,207)
		(147,783)	3,827,652
		4,289,745	5,783,242
Going concern uncertainty	2		
Subsequent events	23		

Approved by the Board:

Mark Upsdell
Director

Jason Lewis
Director

The accompanying notes are an integral part of these consolidated financial statements.

Rapid Dose Therapeutics Corp.

(formerly Acme Resources Ltd.)

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

	Notes	Year ended February 29, 2020 $	Year ended February 28, 2019 $
Revenue			
Sale of nutraceutical products		101,498	-
Cost of sales		64,161	-
Gross profit		37,337	-
Expenses			
Personnel		2,483,194	1,836,640
Stock-based compensation	17	2,635,827	-
General and administrative		710,369	456,204
Professional fees		327,251	259,710
Sales and marketing		455,692	243,875
Research and development		272,718	222,353
Travel		173,533	100,233
Listing	5	-	8,206,424
Depreciation	10 and 11	484,055	156,277
Interest	14	108,519	-
		7,651,158	11,481,716
Loss from operations		(7,613,821)	(11,481,716)
Non-operating expenses			
Realized loss on short-term investments	6	(569,996)	-
Unrealized gain on short-term investments	6	-	83,170
Foreign exchange gain		25,498	-
Gain on sale of equipment	11	85,808	-
Interest income		17,170	201
Other income		90,725	-
Net loss before other comprehensive loss		(7,964,616)	(11,398,345)
Currency translation adjustment		(3,778)	(12,699)
Net comprehensive loss		(7,968,394)	(11,411,044)
Net loss per common share-basic and diluted		(0.10)	(0.18)
Weighted average number of common shares-basic and diluted		76,091,906	62,749,262

Rapid Dose Therapeutics Corp.

(formerly Acme Resources Ltd.)

Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)

	Number	Common shares $	Warrant reserve $	Contributed surplus $	Accumulated other comprehensive loss	Deficit $	Total $
Balance, February 28, 2018	54,331,200	2,016,280	74,282	-	-	(1,501,862)	588,700
Common shares issue on reverse takeover transaction	10,180,127	7,635,096	-	-	-	-	7,635,096
Private placements of common shares (notes 15(i) and (ii))	10,410,000	7,005,000	-	-	-	-	7,005,000
Common shares issued for services (note 15(iv)	100,000	50,000	-	-	-	-	50,000
Exercise of warrants	100,000	75,000	-	-	-	-	75,000
Fair value of warrants exercised	-	7,249	(7,249)	-	-	-	-
Share issue costs	-	(115,100)	-	-	-	-	(115,100)
Loss	-	-	-	-	(12,699)	(11,398,345)	(11,411,044)
Balance, February 28, 2019	75,121,327	16,673,525	67,033	-	(12,699)	(12,900,207)	3,827,652
Private placement of common shares (note 15(iii)	1,276,108	893,276	-	-	-	-	893,276
Fair value of warrants issued	-	(4,000)	4,000	-	-	-	-
Exercise of warrants	670,000	502,500	-	-	-	-	502,500
Fair value of warrants exercised	-	60,692	(60,692)	-	-	-	-
Fair value of expired warrants	-	6,341	(6,341)	-	-	-	-
Share issue costs	-	(38,644)	-	-	-	-	(38,644)
Stock-based compensation	-	-	-	2,635,827	-	-	2,635,827
Loss	-	-	-	-	(3,778)	(7,964,616)	(7,968,394)
Balance, February 29, 2020	77,067,435	18,093,690	4,000	2,635,827	(16,477)	(20,864,823)	(147,783)

Rapid Dose Therapeutics Corp.

(formerly Acme Resources Ltd.)

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

	Notes	Year ended February 29, 2020 $	Year ended February 28, 2019 $
Cash provided by (used in)			
Operating activities			
Net loss		(7,964,616)	(11,398,345)
Items not affecting cash			
Stock-based compensation		2,635,827	-
Issue of common shares for services		-	50,000
Listing expense		-	7,613,711
Depreciation		484,055	156,277
Realized loss on short-term investments		569,996	-
Gain on sale of equipment		(85,808)	-
Foreign exchange translation		-	(12,699)
Changes in non-cash operating working capital			
Amounts receivable		175,285	(203,606)
Employee advances		15,536	(11,829)
Inventory		(71,534)	(97,853)
Prepaid expenses		78,608	(7,063)
Accounts payable and accrued liabilities		600,888	776,389
Deferred revenue		529,082	1,002,760
		(3,032,681)	(2,132,258)
Investing activities			
Purchase of short-term investments		-	(2,224,906)
Proceeds on sale of short-term investments		1,654,910	-
Proceeds on sale of equipment	11	98,997	-
Purchase of property and equipment		(1,223,443)	(1,667,123)
		530,464	(3,892,029)
Financing activities			
Due to a related party		129,000	-
Payment on lease		(243,548)	-
Private placement of common shares		893,276	6,889,900
Exercise of warrants		502,500	75,000
Share issue costs		(38,644)	-
		1,242,584	6,964,900
Net (decrease) increase in cash and cash equivalents		(1,259,633)	940,613
Cash and cash equivalents, beginning of year		1,266,880	326,267
Currency translation adjustment		(3,778)	-
Cash and cash equivalents, end of year		3,469	1,266,880
Non-cash transactions			
Issue of common shares for services		-	50,000
Receipt of common shares of licencee for defered revenue		296,090	-
Supplementary information			
Interest paid		108,519	-
Income taxes paid		-	-

1. Nature of operations
Rapid Dose Therapeutics 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 is incorporated under the laws of Ontario and its registered office is located at 1121 Walker's Line, Unit 3A, Burlington, Ontario, L7N 2G4.

The Company's common shares are listed for trading on the Canadian Securities Exchange under the symbol "DOSE". See note 23, *Subsequent events, Cease trade order*.

2. Going concern uncertainty
These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company is an early stage company and has just started to generate revenue. As at February 29, 2020, the Company had a working capital deficit of $3,064,808 (2019 - working capital of $2,144,138) and for the year ended February 29, 2020, the Company recorded a net loss of $7,964,616 (2019 - $11,398,345). The working capital deficits and losses limit the Company's ability to fund its operations.

The continued operation of the Company is dependent upon the Company's ability to secure equity financing to meet its existing obligations and finance its operations. The Company is actively seeking to raise the necessary equity financing, however, there can be no assurance that additional equity financing will be available.

The outbreak of the novel strain of coronavirus, specifically identified as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was deemed inappropriate. Such adjustments could be material.

3. Basis of preparation

Statement of compliance
The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

The consolidated financial statements were approved and authorized for issue by the Board of Directors on November 16, 2020.

Basis of measurement
These consolidated financial statements have been prepared on the historical cost basis, except for short-term investments, which are measured at fair value.

Functional and presentation currency
These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its Canadian subsidiaries. The US dollar is the functional currency of the Company's US subsidiary

Use of estimates and judgments
The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Going concern
The Company applied judgment in assessing its ability to continue as a going concern for at least 12 months.

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.

Expected credit loss
Management assesses the credit worthiness and the financial position of all customers to arrive at and provide for an expected credit loss on receivables.

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.

Valuation of stock-based compensation and warrants
The Company uses the Black-Scholes option pricing model in determining the fair value of stock-based compensation and warrants, which requires a number of assumptions to be made, including the risk-free interest rate, expected life, forfeiture rate and expected share price volatility.

Deferred income taxes
Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

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.

4. Significant accounting policies and adoption of new accounting standards

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, except for the change in accounting standards as disclosed below.

Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Rapid Dose Therapeutics Inc. and RDT Therapeutics Inc. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commenced until the date that control ceases. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all the following:

(a) power over the investee;
(b) exposure, or rights, to variable returns from its involvement with the investee; and
(c) the ability to use its power over the investee to affect the amount of the investor's returns.

All intercompany transactions and balances are eliminated on consolidation.

Financial instruments

Financial assets are required to be initially measured at fair value and subsequently classified at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Company's financial assets includes cash and cash equivalents, receivables and marketable securities. Cash and cash equivalents and receivables are classified at amortized cost because the Company's business model is to hold these financial instruments to maturity to collect contractual cash flows consisting solely of payments of principal and interest on the principal amount outstanding. Marketable securities are classified at fair value through profit and loss.

Financial liabilities include accounts payable and accrued liabilities and due to related party which were initially measured at fair value and subsequent classified as amortized cost.

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.

Cash and cash equivalents
Cash and cash equivalents consist of cash deposits in banks and highly liquid investment savings accounts. At February 29, 2020, the Company held 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. During the year, the Company disposed of its short-term investments and at February 29, 2020, held no short-term investments

Inventory
Inventories are carried at the lower of cost and net realizable 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 realizable 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.

For all property and equipment, depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. No depreciation is recorded for assets under construction. For processing equipment installed pursuant to a MSSA, depreciation commences when the Company completes its performance obligations under the MSSA and starts to recognize Service Fees as revenue. 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.

Share capital
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Unit private placements
For private placements of units consisting of common shares and warrants, the Company uses the Black-Scholes option pricing model in determining the fair value of warrants. The proceeds from the issuance of units are first allocated to the warrants and the residual amount, being the difference between the proceeds from issuance and the fair value of the warrants, is allocated to common shares.

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 adopted IFRS 15 on 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, as the Company was not yet selling its products.

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 (a) sale of nutraceutical products and (b) Managed Strip Services Agreements ("MSSA's").

Sale of nutraceutical products
The Company generates revenue from the sale of nutraceutical products ("Nutraceuticals") to distributors and retailers. Pursuant to distribution agreements and purchase orders ("Contracts"), the Company has a single performance obligation to deliver Nutraceuticals to the distributors and retailers. Upon completion of the performance obligation, the Company recognizes revenue recorded at fixed prices as set out in the Contracts.

MSSA's
The Company grants a licence ("Licence") to formulations, processes, equipment, brands and trademarks for the QuickStrip™ products ("Products") and other goods and services to manufacture the Products. Pursuant to a MSSA, the Company has the following performance obligations to the Licencee and the Licencee has payment obligations to the Company:

Performance obligation	Payment by Licencee
• grant a licence ("Licence") to formulations, processes, equipment, brands and trademarks for the Products ("Intellectual Property"). • deliver intellectual property and technical assistance to produce Products • deliver equipment to manufacture the Products • install and commission the equipment • train and certify operators to operate the equipment	A fixed amount upon signing the MSSA ("Signing Fee")
• bear all costs for repairs for equipment to operate in accordance with standards and processes for the manufacture of the products	A fixed amount upon the delivery, certification and acceptance of the equipment ("Acceptance Fee")
• supply the proprietary formulation to manufacture the Products • provide approved sources of supply for packaging for the Products • allocate 3% of fees paid by the Licencee to be used by the Licencee for sample production and distribution to promote the Products	A variable amount equal to a percentage of sales, subject to a minimum fixed amount, paid quarterly ("Service Fees")

The Licence forms a component of the Products and is integral to the functionality of the Products and Licencees can only benefit from the Licence in conjunction with the other performance obligations. As the promise to grant the Licence is not distinct from the other promised goods or services in the MSSA, the promise to grant a licence and the other promised goods or services should be accounted for together as a single performance obligation.

Over time, the Company satisfies its performance obligation by supplying the Licencee with the proprietary formulation to manufacture the Products, which allows the Licencee to use the Intellectual Property to manufacture Products. It is at that point that the Licencee the ability to direct the use of, and obtain substantially all of the remaining benefits from, the Intellectual Property.

Upon receipt, the Signing Fees and Acceptance Fees are recorded as deferred revenue and recognized as revenue over time as the Company supplies the Licencee with the proprietary formulation to manufacture the Products. Services Fees are recognized as revenue as the Licencee sells the Products.

The Company has not recognized any deferred revenue as revenue for the years ended February 29, 2020 and February 28, 2019 (see note 13).

Government grants
Government grants relating to expenses are deferred and recognized in profit or loss over the period necessary to match them with the expenses that they are intended to compensate.

Research and development
Expenditures on research are recognized in profit or loss as incurred.

Expenditures on development is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, expenditures on development are measured at cost less accumulated amortisation and any accumulated impairment losses. At February 29, 2020, no expenditures have been capitalized.

Share-based payments

The Company offers a stock option plan for its officers, directors, employees and consultants. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase to stock-based compensation and contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase to share capital. When vested stock options expire, previously recognized share-based compensation is not reversed. When stock options are forfeited, previously recognized share-based compensation associated with the unvested portion of the stock options forfeited is reversed.

The fair value of share-based payment transactions to non-employees and other share-based payments including shares issued to acquire exploration and evaluation are based on the fair value of the goods and services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or services. The fair value of broker warrants is measured at the date that the Company receives the services.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. No provisions were recorded as at February 29, 2020 and February 28, 2019.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current 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 tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(expressed in Canadian dollars)

Loss per share
The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise outstanding warrants and stock options. For the years ended February 29, 2020 and 2019, outstanding stock options and warrants are anti-dilutive.

Adoption of new accounting standards

IFRS 16, Leases
On March 1, 2019, the Company adopted *IFRS 16, Leases* ("IFRS 16"). According to IFRS 16, a contract is, or contains, a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. With exceptions for certain short-term leases and leases of low-value assets, IFRS 16 requires a lessee to recognize lease contracts as a right-of-use asset representing its right to use an identified asset for a period of time and a lease liability representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the standard as an adjustment to retained earnings with no restatement of comparative information which continues to be reported under *IAS 17, Leases*.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. Right-of-use assets are subsequently depreciated from the commencement date of the lease to the earlier of the end of the lease term or the end of the useful life of the asset. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability.

The lease liability is initially recognized as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset. The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments made and to reflect any reassessments or modifications.

The Company is a party to only a lease for office premises with a term ending on March 31, 2024. At March 1, 2019, the Company used its incremental borrowing rate of 8% to measure its lease liability.

	$
Lease commitments at February 28, 2019	1,789,679
Discount using the incremental borrowing rate of 8%	(323,163)
Lease liabilities recognized at March 1, 2019	1,466,516

(expressed in Canadian dollars)

At March 1, 2019, the impact of adopting IFRS 16 on the Company's statement of financial position was as follows:

	$
Assets	
Non-current	
Right-of-use asset	1,466,516
Liabilities	
Current	
Current portion of lease liability	243,549
Non-current	
Lease liability	1,222,967
	1,466,516

IFRIC 23, Uncertainty over Income Tax Treatments
On March 1, 2019, the Company adopted *IFRIC 23, Uncertainty over Income Tax Treatments* ("IFRIC 23"). The interpretation provides guidance on the accounting for current and deferred tax assets and liabilities in circumstances in which there is uncertainty over income tax treatments. IFRIC 23 requires the entity to contemplate whether uncertain tax treatments should be considered separately or as a group based on the predictability of the resolution. In addition, the entity should assess if the tax authority will accept uncertain tax treatments, and in the case where it is not probable, the interpretation requires the entity to reflect the uncertainty with disclosure of the most likely amount and the expected value of the income tax payable or recoverable. The adoption of this interpretation did not have a material impact on the consolidated financial statements.

5. 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.

(expressed in Canadian dollars)

	$
Consideration	**3,954,143**
Net assets of Acme	
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**

6. Short-term investments

	February 29, 2020 $	February 28, 2019 $
Fixed income	–	1,181,678
Domestic equity securities	–	305,459
Foreign equity securities	–	293,962
Mutual funds	–	443,807
	–	2,224,906

During the year ended February 29, 2020, the Company disposed of all its short-term investments and realized a loss of $569,996 (2019 – unrealized gain of $83,170).

7. Amounts receivable

	February 29, 2020 $	February 28, 2019 $
Trade receivables	36,614	–
HST receivable	74,193	286,092
	110,807	286,092

8. Inventory

	February 29, 2020 $	February 28, 2019 $
Raw materials	39,136	3,722
Labels and packaging	80,841	60,281
Finished goods - nutraceuticals	90,422	74,862
	210,399	138,865

For the year ended February 29, 2020, inventory of $64,161 (2019 - $nil) was recorded as cost of sales.

(expressed in Canadian dollars)

9. Prepaid expenses and deposits

	February 29, 2020 $	February 28, 2019 $
Prepaid insurance	59,502	40,612
Prepaid rent	29,339	29,339
Prepaid marketing costs	–	56,000
Deposit for inventory	–	41,498
	88,841	167,449

10. Right-of-use asset

Right-of-use asset represents a lease for office premises with a term ending on March 31, 2024.

	February 29, 2020 $	March 1, 2019 $
Right-of-use asset	1,466,516	1,466,516
Accumulated depreciation	(288,855)	–
	1,177,661	1,466,516

For the year ended February 29, 2020, the Company recorded depreciation on the right-of-use asset of $288,885 (2019 - $nil).

11. Property and equipment

	Furniture and fixtures $	Research & development equipment $	Portable building units $	Computer and office equipment $	Leaseholds $	Processing equipment $	Total $
Cost							
February 28, 2018	3,600	13,462	–	–	–	156,594	173,656
Additions	32,450	128,317	358,088	93,833	38,678	1,015,757	1,667,123
February 28, 2019	36,050	141,779	358,088	93,833	38,678	1,172,351	1,840,779
Additions	25,843	18,971	73,771	105,803	207,940	791,115	1,223,443
Disposals	–	–	–	–	–	(13,189)	(13,189)
February 29, 2020	61,893	160,750	431,859	199,636	246,618	1,950,277	3,051,033
Accumulated depreciation							
February 28, 2018	120	868	–	–	–	–	988
Depreciation	4,888	12,260	7,133	4,299	1,575	123,122	156,277
February 28, 2019	5,008	16,128	7,133	4,299	1,575	123,122	157,265
Depreciation	11,424	23,128	29,131	50,118	19,838	61,561	195,200
February 29, 2020	16,432	39,256	36,264	54,417	21,413	184,683	352,465
Net book value							
February 28, 2019	31,042	126,651	350,955	89,534	37,103	1,049,229	1,683,514
February 28, 2020	45,461	121,494	395,595	145,219	225,205	1,765,594	2,698,568

Processing equipment includes $1,146,394 related to MSSA's that are not yet available for use and deposits of $407,162 for the purchase of processing equipment, for which, no depreciation has been recorded.

(expressed in Canadian dollars)

For the year ended February 29, 2020, the Company recorded depreciation on property and equipment of $195,200 (2019 - $156,277).

During the year ended February 29, 2020, the Company disposed of processing equipment for $98,997 and recorded a gain of $85,808.

12. Due to a related party
Due to a related party of $129,000 (2019 - $nil) represents advances from an officer and director. The advances are unsecured and non-interest bearing with $75,000 due on December 9, 2020 and $54,000 due on December 30, 2020.
.
13. Deferred revenue
Deferred revenue includes Signing Fees and Acceptance Fees that have been received prior to the Company fulfilling its performance obligations under the MSSAs. The Company has not recognized any deferred revenue as revenue for the years ended February 29, 2020 and February 28, 2019.

14. Lease liability

	$
Balance, March 1, 2019	1,466,516
Interest	108,519
Payments	(352,068)
Balance, February 29, 2020	1,222,967
Current	263,763
Non-current	959,204
	1,222,967

The remaining lease term is 4.09 years.

15. Share capital

Authorized
An unlimited number of common shares without par value

Outstanding
77,067,435 common shares

Private placements
(i) On July 1, 2018, the Company completed a non-brokered private placement of 3,210,000 common shares at a price of $0.50 per common share for gross proceeds of $1,605,000. In connection with the private placement, the Company paid a paid cash commissions of $115,100.

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

(iii) On October 9, 2019 and October 30, 2019, the Company completed tranches of a non-brokered private placement of 1,276,108 common shares at a price of $0.70 per common share for gross proceeds of $893,276. Of the common shares issued, 227,857 common shares were issued to two directors and officers of the Company. In connection with the private placement, the Company paid a finder's fee of $35,369 and issued 17,684 warrants with each warrant entitling the holder to purchase one common share for $1.00 per common share until October 9, 2021.

The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

(expressed in Canadian dollars)

Date of issue	October 9, 2019
Expiry date	October 9, 2021
Warrants issued	17,684
Exercise price	$1.00
Share price	$0.69
Risk-free interest rate	1.47%
Expected volatility based on historical volatility	80%
Expected life of warrants	2 years
Expected dividend yield	0%
Fair value	$4,000
Fair value per warrant	$0.23

Common shares issued for consulting fees

(iv) On April 9, 2018, the Company issued 100,000 common shares at a price of $0.50 per common share for consulting services with a value of $50,000.

16. Warrant reserve

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

	Weighted-average exercise price $	Number of warrants	Warrant reserve $
Balance, February 28, 2018	0.75	840,000	74,282
Exercised	0.75	(110,000)	(7,249)
Balance, February 28, 2019	0.75	740,000	67,033
Issued	1.00	17,684	4,000
Exercised	0.75	(670,000)	(60,692)
Cancelled	0.75	(70,000)	(6,341)
Balance, February 29, 2020	1.00	17,684	4,000

A summary of the Company's outstanding warrants is presented below:

Exercise price	Expiry date	Number of warrants
$1.00	October 9, 2020	17,684

The weighted-average remaining life of outstanding warrants is 0.6 years. On October 9, 2020, the warrants expired.

17. Stock-based compensation and contributed surplus

The Company adopted a 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.

(expressed in Canadian dollars)

A summary of the Company's stock options is presented below:

	Weighted-average exercise price $	Number of stock options	Contributed surplus $
Balance, February 28, 2018 and 2019	–	–	–
Granted	0.82	5,526,000	2,730,113
Cancelled	0.82	(1,540,000)	(94,286)
Balance, February 29, 2020	0.82	3,986,000	2,635,827

A summary of the Company's outstanding stock options is presented below:

Exercise price	Expiry date	Number of stock options outstanding and exercisable
$0.82	March 11, 2024	3,986,000

The Company granted stock options to directors, officers, employees and consultants. The fair value of the stock options granted was calculated using the Black-Scholes option pricing model with the following assumptions:

Date of grant	March 11, 2019	July 29, 2019
Expiry date	March 11, 2024	July 29, 2024
Number of stock options granted	4,426,000	1,100,000
Exercise price	$0.82	$0.82
Share price	$0.79	$0.82
Risk-free interest rate	1.65%	1.65%
Expected volatility based on historical volatility	78%	74%
Expected life of stock options	5 years	5 years
Expected dividend yield	0%	0%
Vesting	On date of grant	933,334 on date of grant and 83,333 on the first and second anniversary of the date of grant
Fair value	$2,182,591	$547,522
Fair value per stock option	$0.49	$0.50

(expressed in Canadian dollars)

18. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 26.5% (2019 - 26.5%) to the pre-tax net loss for the year. The reasons for the difference are as follows:

	2020 $	2019 $
Net loss	7,964,616	11,398,345
Income tax recovery based on statutory rate	2,110,623	3,020,561
Non-deductible transaction costs	-	(2,194,859)
Non-deductible expenses	12,469	-
Stock-based compensation	(698,494)	-
Share issue costs	11,301	30,502
Tax rate differences and other adjustments	(39,366)	6,198
Changes in tax benefits not recognized	(1,396,533)	(862,402)
	–	–

Deferred income tax assets and liabilities

The following table summarizes the components of deferred tax:

	February 29, 2020 $	February 28, 2019 $
Deferred tax assets		
Right-of-use asset	316,123	–
Operating tax losses carried forward		
Canada	-	51,942
United States	-	128,274
Subtotal of Assets	316,123	180,216
Deferred tax liabilities		
Property and equipment	(4,043)	(165,481)
Marketable Securities	-	(14,735)
Lease Liability	(312,080)	-
Subtotal of Liabilities	(316,123)	(180,216)
Net deferred tax liability	-	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

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:

(expressed in Canadian dollars)

	February 29, 2020 $	February 28, 2019 $
Property and equipment	532	-
Unrealized FX gain or losses	23,883	-
Right of use asset	30,049	-
Share issuance costs	129,615	133,501
Operating tax losses carried forward – Canada	9,259,170	4,579,252
Operating tax losses carried forward – USA	764,984	57,305
Subtotal of Assets	10,208,234	4,770,058

Share issue and financing costs will be fully amortized in 2024. The Canadian operating tax losses carry forwards expire as noted in the table below. The US operating tax losses may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company’s Canadian operating tax losses expire as follows:

	$
2038	3,399,340
2039	1,408,431
2040	4,451,399
	9,259,170

19. Determination of fair values
A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities
The fair values of cash, accounts receivable and accounts payable and accrued liabilities at February 29, 2020 approximated their respective carrying values due to their short term to maturity.

Short-term investments
The fair value of short-term investments is estimated based on observable inputs.

Classification of fair value of financial instruments
The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1: quoted prices in active markets for identical assets and liabilities;
Level 2: inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
Level 3: inputs for the asset or liability that are not based on observable market data.
Short-term investments are classified as Level 1 financial assets.

20. Financial risk management
The Company's activities expose it to a variety of financial risks that arise as a result of its activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk
Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's customers are subject to an internal credit review, together with ongoing monitoring of the amount and age of balances in order to minimize the risk of non-payment. The carrying amount of accounts receivable reflects the maximum credit exposure and management's assessment of the credit risk. At February 29, 2020 and February 2019, the Company had no expected credit loss provision.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due. The continued operation of the Company is dependent upon the Company's ability to secure equity financing to meet its existing obligations and finance operations. Accounts payable and accrued liabilities are subject to normal trade terms.

Market risk
Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments.

Equity price risk
Equity price risk arises from the Company's marketable securities. The Company's approach to managing equity price risk is to optimize the return from its marketable securities within acceptable parameters for equity price risk.

Currency risk
Currency risk arises from financial instruments and sales and purchases that are denominated in a currency other than the Canadian dollar, the Company's functional currency. The Company operates in Canada and the United States and the Company incurs the majority of its operating expenses in Canadian dollars. In the future, the proportion of international sales is expected to increase. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Company's business, financial condition and results of operations. The Company manages risk to foreign currency exposure by monitoring financial assets and liabilities denominated in US dollars and exchange rates on an ongoing basis. The Company has not engaged in foreign currency hedging.

Interest rate risk
The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

21. Capital risk management
Capital of the Company consists of share capital, warrant reserve, option reserve and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can provide returns for the benefit of its shareholders and other stakeholders.

The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

(expressed in Canadian dollars)

As the Company is an early stage company and has just started to generate revenue, its principal source of capital is from the issuance of common shares or advances from related parties. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

22. 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, namely, directors, Chief Executive Officer, Chief Financial Officer and Senior Vice President, Business Development.

Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	Years ended February 29,	
	2020	**2019**
	$	**$**
Salaries	768,493	724,051
Consulting fees	16,568	–
Stock-based compensation	1,457,350	–
	2,242,411	724,051

See note 12 for other related party transactions.

23. Subsequent events

Loan facility

On August 24, 2020, the Company received a commitment for a loan of $3,000,000 which will be: (a) interest-bearing at the rate of 12% per annum on the initial advances of $1,500,000 and 10% per annum on the remaining $1,500,000 payable quarterly in arrears; (b) secured by a general security agreement over all of the Company's assets; (c) repayable by the Company at any time; and (d) due on August 24, 2023. On August 11, 2020, the Company received an advance of $500,000 and the remaining $2,500,000 of the loan facility is available in tranches of $500,000 within 15 days of notice provided by the Company to the lender.

Cease trade order

Due to circumstances beyond its control created by and relating to the COVID-19 pandemic, the Company was not able to file its audited consolidated financial statements and management's discussion & analysis for the year ended February 29, 2020 together with officers' certificates (collectively, the "Annual Filings") by its usual deadline of June 28, 2020, nor by the extended deadline of August 12, 2020 allowed by the Ontario Securities Commission and other members of the Canadian Securities Administrators for "Issuers" in the Canadian securities industry to complete annual and quarterly statutory filings (the "Extension"). On August 20, 2020, the Ontario Securities Commission issued a "cease-trade order" prohibiting any trading in the Company's securities, whether direct or indirect, by anyone in Ontario or in any other province or territory of Canada (the "CTO").

Management expects that the completion of the Annual Filings will automatically initiate a review process by the Ontario Securities Commission without any application by the Company and it is expected that the CTO should be revoked provided the Company has filed all of its interim financial statements and corresponding management's discussion & analysis together with officers' certificates that have subsequently become due.

Proposed private placement

Subsequent to February 29, 2020, the Company received proceeds of $299,000 in respect of a proposed private placement of units at a price of $0.25 per unit. Each unit consists of one common share and one warrant entitling the holder to purchase one common share for $0.40 for 2 years after the closing date of the private placement. The proposed private placement has not yet closed.

Government subsidies

Subsequent to February 29, 2020, the Company received Canada Emergency Commercial Rent Assistance of $48,825 and Canada Emergency Wage Subsidy of $288,187.