



Rapid Dose Therapeutics Corp.

Condensed Interim Consolidated Financial Statements

May 31, 2020

(expressed in Canadian dollars)

(unaudited)

Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements

These unaudited condensed interim consolidated financial statements of Rapid Dose Therapeutics Corp. (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

Rapid Dose Therapeutics Corp.

Consolidated Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

	Notes	As at May 31, 2020 \$	As at February 29, 2020 \$
Assets			
Current			
Cash		92,558	3,469
Amounts receivable	4	88,387	110,807
Inventory	5	208,034	210,399
Prepaid expenses	6	65,730	88,841
		<u>454,709</u>	<u>413,515</u>
Non-current			
Right-of-use asset	7	1,105,537	1,177,661
Property and equipment	8	2,605,784	2,698,568
		<u>4,166,030</u>	<u>4,289,745</u>
Liabilities			
Current			
Accounts payable and accrued liabilities		1,796,171	1,553,719
Due to a related party	9	129,000	129,000
Deferred revenue	10	1,561,230	1,531,842
Current portion of lease liability	11	269,073	263,763
		<u>3,755,474</u>	<u>3,478,324</u>
Non-current			
Lease liability	11	889,912	959,204
		<u>4,645,386</u>	<u>4,437,528</u>
Shareholders' equity			
Common shares	12	18,076,090	18,093,690
Common shares to be issued	12	196,000	-
Warrant reserve	13	4,000	4,000
Contributed surplus	14	2,635,827	2,635,827
Accumulated other comprehensive loss		(31,200)	(16,477)
Deficit		(21,360,073)	(20,864,823)
		<u>(479,356)</u>	<u>(147,783)</u>
		<u>4,166,030</u>	<u>4,289,745</u>
Going concern	2		
Subsequent events	20		
Approved by the Board:			
	Mark Upsdell Director	Jason Lewis Director	

Rapid Dose Therapeutics Corp.

Consolidated Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

(unaudited)

	Notes	3 months ended May 31,	
		2020	2019
		\$	\$
Revenue			
Nutraceuticals		237	16,187
Cost of sales		-	4,050
Gross profit		237	12,137
Expenses			
Personnel	15 and 19	58,197	763,146
Stock-based compensation		-	1,759,984
General and administrative		51,242	95,609
Professional fees		63,092	90,035
Sales and marketing		502	293,586
Research and development		89,470	51,132
Travel		3,433	49,879
Depreciation	7 and 8	178,668	86,638
Interest	10	24,035	-
		468,638	3,190,009
Loss from operations		(468,402)	(3,177,872)
Non-operating expenses			
Realized loss on short-term investments		-	25,118
Unrealized loss on short-term investments		-	(21,152)
Write-down of inventory	5	(19,389)	-
Foreign exchange loss		(7,459)	(5,038)
Gain on sale of equipment		-	96,224
Interest income		-	10,024
Net loss before other comprehensive loss		(495,249)	(3,072,696)
Currency translation adjustment		(14,723)	(25,356)
Net comprehensive loss		(509,972)	(3,098,052)
Net loss per common share-basic and diluted		(0.01)	(0.04)
Weighted average number of common shares-basic and diluted		77,067,435	75,241,574

Rapid Dose Therapeutics Corp.
Consolidated Statements of Changes in Equity

(expressed in Canadian dollars)
(unaudited)

	Number	Common shares \$	Common shares to be issued \$	Warrant reserve \$	Contributed surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
Balance, February 28, 2020	77,067,435	18,093,690	-	4,000	2,635,827	(16,477)	(20,864,823)	(147,783)
Private placement proceeds	-	-	196,000	-	-	-	-	196,000
Share issue costs	-	(17,600)	-	-	-	-	-	(17,600)
Loss	-	-	-	-	-	(14,723)	(495,249)	(509,972)
Balance, May 31, 2020	77,067,435	18,076,090	196,000	4,000	2,635,827	(31,200)	(21,360,073)	(479,356)
Balance, February 28, 2019	75,121,327	16,673,525	-	67,033	-	(12,699)	(12,900,207)	3,827,652
Exercise of warrants	670,000	499,225	-	-	-	-	-	499,225
Fair value of warrants exercised	-	67,033	-	(67,033)	-	-	-	-
Stock-based compensation	-	-	-	-	1,759,984	-	-	1,759,984
Loss	-	-	-	-	-	25,356	(3,072,696)	(3,047,340)
Balance, May 31, 2019	75,791,327	17,239,783	-	-	1,759,984	12,657	(15,972,903)	3,039,521

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

Rapid Dose Therapeutics Corp.

Consolidated Statements of Cash Flows

(expressed in Canadian dollars)
(unaudited)

	Notes	3 months ended May 31,	
		2020	2019
		\$	\$
Cash provided by (used in)			
Operating activities			
Loss		(495,249)	(3,072,696)
Items not affecting cash			
Stock-based compensation		-	1,759,984
Depreciation		178,668	86,638
Write-down of inventory		19,389	-
Changes in non-cash operating working			
Receivables		22,419	(41,650)
Inventory		(17,024)	5,504
Prepaid expenses		23,111	1,367
Accounts payable and accrued liabilities			
		242,453	(315,488)
Deferred revenue		29,387	13,631
		3,154	(1,562,710)
Investing activities			
Proceeds on sale of short-term investments		-	1,365,174
Purchase of property and equipment		-	(455,588)
		-	909,586
Financing activities			
Common shares to be issued	12	196,000	-
Exercise of warrants		-	499,225
Payment on lease liability		(63,982)	-
Share issue costs		(17,600)	-
		114,418	499,225
Net increase (decrease) in cash		117,572	(153,899)
Cash, beginning of period		3,469	1,266,880
Currency translation adjustment		(28,484)	-
Cash, end of period		92,557	1,112,981
Supplementary information			
Interest paid		24,035	-
Income taxes paid		-	-

Rapid Dose Therapeutics Corp.

Notes to the Condensed Interim Consolidated Financial Statements

May 31, 2020

(expressed in Canadian dollars)
(unaudited)

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 amalgamated 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 20, *Subsequent events, Cease trade order*.

2. Going concern uncertainty

These condensed interim 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 May 31, 2020, the Company had a working capital deficit of \$3,300,765 (February 29, 2020 - \$3,064,808) and for the 3 months ended May 31, 2020, the Company recorded a loss of \$495,249 (2019 - \$3,072,696). 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 uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These interim condensed 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

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board.

The accounting policies used in these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited financial statements for the year ended February 29, 2020.

These condensed interim financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended February 28, 2020.

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

4. Amounts receivable

	May 31, 2020	February 29, 2020
	\$	\$
Accounts receivable	35,647	36,614
HST receivable	52,740	74,193
	<u>88,387</u>	<u>110,807</u>

5. Inventory

	May 31, 2020	February 29, 2020
	\$	\$
Raw materials	34,092	35,823
Labels and packaging	103,052	84,155
Finished goods - nutraceuticals	70,890	90,421
	<u>208,034</u>	<u>210,399</u>

In the 3 months ended May 31, 2020, inventory of \$nil (2019 - \$4,150) was recorded as cost of sales and the Company recorded a write-down of \$19,389 (2019 - \$nil).

6. Prepaid expenses and deposits

	May 31, 2020	February 29, 2020
	\$	\$
Prepaid insurance	39,391	59,502
Prepaid rent	29,339	29,339
	<u>68,730</u>	<u>88,841</u>

7. Right-of-use asset

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

	May 31, 2020	February 29, 2020
	\$	\$
Right-of-use asset	1,466,516	1,466,516
Accumulated depreciation	(360,979)	(288,855)
	<u>1,105,537</u>	<u>1,177,661</u>

For the 3 months ended May 31, 2020, the Company recorded depreciation on the right-of-use asset of \$72,124 (2019 - \$72,124).

8. Property and equipment

	Furniture and fixtures \$	Research & development equipment \$	Portable building units \$	Computer and office equipment \$	Leaseholds \$	Processing equipment \$	Total \$
Cost							
February 29, 2020 and May 31, 2020	61,893	160,750	431,859	199,636	246,618	1,950,277	3,051,033
Accumulated depreciation							
February 29, 2020	16,432	39,256	36,264	54,417	21,413	184,682	352,464
Depreciation	3,095	8,049	10,796	6,165	21,968	56,473	106,546
May 31, 2020	19,527	47,305	47,060	60,582	43,381	241,155	459,010
Exchange difference	-	-	-	-	-	13,767	13,767
Net book value							
February 29, 2020	45,461	121,494	395,595	145,219	225,205	1,765,594	2,698,568
May 31, 2020	42,366	113,445	384,799	139,054	203,237	1,722,883	2,605,784

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.

For the 3 months ended May 31, 2020, the Company recorded depreciation on property and equipment of \$106,546 (2019 - \$86,638).

9. Due to a related party

Due to a related party of \$129,000 (February 29, 2020 - \$129,000) 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.

10. 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.

11. Lease liability

	\$
Balance, February 29, 2020	1,222,967
Interest	24,035
Payments	(88,017)
Balance, May 31, 2020	1,158,985
Current	269,073
Non-current	889,912
	1,158,985

The remaining lease term is 3.84 years.

12. Share capital

Authorized

An unlimited number of common shares without par value

Outstanding

77,067,435 common shares

Common shares to be issued

In the 3 months ended May 31, 2020, the Company received proceeds of \$196,000 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. See note 20, *Subsequent events, Common shares to be issued*.

13. Warrant reserve

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

	Weighted-average exercise price \$	Number of warrants	Warrant reserve \$
Balance, February 29, 2020 and May 31, 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

14. 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, less any applicable discount allowed by the Canadian Securities Exchange.

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

	Weighted-average exercise price \$	Number of stock options	Options reserve \$
Balance, February 29, 2020 and May 31, 2020	0.82	3,896,000	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

15. Personnel

Personnel costs are reported net of grants of \$94,852 received from the National Research Council of Canada Industrial Research Assistance Program.

16. 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 May 31, 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.

17. 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 May 31, 2020 and February 29, 2020, 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.

18. 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.

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.

19. 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:

	3 months ended May 31,	
	2020	2019
	\$	\$
Salaries	20,328	243,769
Stock-based compensation	–	775,410
	<u>20,328</u>	<u>1,019,179</u>

See note 8 for other related party transaction.

20. 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. 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.

Common shares to be issued

Subsequent to May 31, 2020, the Company received additional proceeds of \$103,000 in respect of a proposed private placement (note 12).

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 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").

The completion of the Annual Filings will automatically initiate a review process by the Ontario Securities Commission without any application by the Company and the CTO should be revoked promptly 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.

Government subsidies

Subsequent to May 31, 2020, the Company received Canada Emergency Commercial Rent Assistance of \$48,825 and Canada Emergency Wage Subsidy of \$288,187.