



# **Rapid Dose Therapeutics Corp.**

## **Condensed Interim Consolidated Financial Statements**

**August 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 August 31, 2020 \$	As at February 29, 2020 \$
<b>Assets</b>			
<b>Current</b>			
Cash		227,604	3,469
Amounts receivable	4	93,209	110,807
Inventory	5	439,427	210,399
Prepaid expenses and deposits	6	58,248	88,841
		818,487	413,515
<b>Non-current</b>			
Right-of-use asset	7	1,033,413	1,177,661
Property and equipment	8	2,507,072	2,698,568
		4,358,972	4,289,745
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		1,935,752	1,553,719
Due to a related party	9	126,500	129,000
Deferred revenue	10	1,500,075	1,531,842
Current portion of lease liability	11	274,491	263,763
		3,836,817	3,478,324
<b>Non-current</b>			
Loan payable	12	500,000	-
Lease liability	11	819,223	959,204
		5,156,040	4,437,528
<b>Shareholders' equity</b>			
Common shares	13	18,063,790	18,093,690
Common shares to be issued	13	299,000	-
Warrant reserve	14	4,000	4,000
Contributed surplus	15	2,635,827	2,635,827
Accumulated other comprehensive loss		2,513	(16,477)
Deficit		(21,802,198)	(20,864,823)
		(797,068)	(147,783)
		4,358,972	4,289,745
<b>Going concern</b>	2		
<b>Approved by the Board:</b>			
	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 August 31,		6 months ended August 31,	
		2020	2019	2020	2019
		\$	\$	\$	\$
<b>Revenue</b>					
Service fees	16	-	893,953	-	893,953
Nutraceuticals		3,579	20,539	3,816	36,726
		3,579	914,492	3,816	930,679
<b>Cost of sales</b>					
Nutraceuticals		424	5,131	424	9,182
<b>Gross profit</b>		3,155	909,361	3,392	921,497
<b>Expenses</b>					
Personnel	17 and 21	177,067	697,288	235,265	1,460,434
Stock-based compensation		-	441,790	-	2,201,774
General and administrative		68,552	247,178	119,793	342,787
Professional fees		(21,919)	81,574	41,172	171,609
Sales and marketing		5,145	112,902	80,647	406,488
Research and development		30,873	43,362	45,343	94,494
Travel		5,452	120,163	8,884	170,042
Depreciation	7 and 8	172,659	(106,606)	351,333	(19,968)
Interest	11 and 12	27,746	-	51,781	-
		465,575	1,637,651	934,219	4,827,660
<b>Loss from operations</b>		(462,420)	(728,290)	(930,827)	(3,906,163)
<b>Non-operating expenses</b>					
Realized loss on short-term investments		-	(26,569)	-	(1,451)
Unrealized loss on short-term investments		-	(236,561)	-	(257,714)
Write-down of inventory	5	-	-	(19,389)	-
Foreign exchange loss		20,300	66,469	12,842	61,431
Gain on sale of equipment		-	(10,416)	-	85,808
Interest income		-	7,145	-	17,169
Other income		-	25,561	-	25,561
<b>Net loss before other comprehensive loss</b>		(442,119)	(902,661)	(937,375)	(3,975,359)
Currency translation adjustment		33,706	(190,413)	18,990	(215,769)
<b>Net comprehensive loss</b>		(408,413)	(1,093,074)	(918,385)	(4,191,128)
<b>Net loss per common share-basic and diluted</b>		(0.01)	(0.01)	(0.01)	(0.05)
<b>Weighted average number of common shares-basic and diluted</b>					
		77,067,435	75,516,425	77,067,435	75,516,425

# 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 \$
<b>Balance, February 28, 2020</b>	77,067,435	18,093,690	-	4,000	2,635,827	(16,477)	(20,864,823)	(147,783)
Private placement proceeds	-	-	299,000	-	-	-	-	299,000
Share issue costs	-	(29,900)	-	-	-	-	-	(29,900)
Loss	-	-	-	-	-	18,990	(937,375)	(918,385)
<b>Balance, August 31, 2020</b>	<b>77,067,435</b>	<b>18,063,790</b>	<b>299,000</b>	<b>4,000</b>	<b>2,635,827</b>	<b>2,513</b>	<b>(21,802,198)</b>	<b>(797,068)</b>
<b>Balance, February 28, 2019</b>	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	-	-	-	-	2,201,774	-	-	2,201,774
Loss	-	-	-	-	-	(215,769)	(3,975,359)	(4,191,128)
<b>Balance, August 31, 2019</b>	<b>75,791,327</b>	<b>17,239,783</b>	<b>-</b>	<b>-</b>	<b>2,201,774</b>	<b>(228,468)</b>	<b>(16,875,566)</b>	<b>2,337,523</b>

# Rapid Dose Therapeutics Corp.

## Consolidated Statements of Cash Flows

(expressed in Canadian dollars)  
(unaudited)

	<b>3 months ended August 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss	(937,375)	(3,975,359)
Items not affecting cash		
Stock-based compensation	-	2,201,774
Depreciation	351,333	(19,968)
Write-down of inventory	19,389	-
Changes in non-cash operating working		
Receivables	17,597	(310,374)
Employee advances	-	15,536
Inventory	(248,417)	11,090
Prepaid expenses and deposits	30,593	(177,418)
Accounts payable and accrued liabilities	382,032	12,501
Deferred revenue	(31,768)	(270,121)
	<b>(416,614)</b>	<b>(2,512,339)</b>
<b>Investing activities</b>		
Proceeds on sale of short-term investments	-	1,873,992
Purchase of property and equipment	(15,589)	(780,372)
	<b>(15,589)</b>	<b>1,093,620</b>
<b>Financing activities</b>		
Due to a related party	(2,500)	-
Loan payable	500,000	-
Common shares to be issued	299,000	-
Exercise of warrants	-	499,225
Payment on lease liability	(129,253)	-
Share issue costs	(29,900)	-
	<b>637,347</b>	<b>499,225</b>
<b>Net increase (decrease) in cash</b>	<b>205,144</b>	<b>(919,494)</b>
<b>Cash, beginning of period</b>	<b>3,469</b>	<b>1,266,880</b>
Currency translation adjustment	18,990	-
<b>Cash, end of period</b>	<b>227,603</b>	<b>347,386</b>
<b>Supplementary information</b>		
Interest paid	51,781	-
Income taxes paid	-	-

# **Rapid Dose Therapeutics Corp.**

## **Notes to the Condensed Interim Consolidated Financial Statements**

### **August 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". 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.

#### **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 August 31, 2020, the Company had a working capital deficit of \$3,018,330 (February 29, 2020 - \$3,064,809) and for the 6 months ended August 31, 2020, the Company recorded a loss of \$937,375 (2019 - \$3,975,359). 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 condensed interim 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 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

	August 31, 2020	February 29, 2020
	\$	\$
Accounts receivable	34,192	36,614
HST receivable	59,017	74,193
	<u>93,209</u>	<u>110,807</u>

#### 5. Inventory

	August 31, 2020	February 29, 2020
	\$	\$
Raw materials	116,567	35,823
Labels and packaging	106,611	84,155
Finished goods - nutraceuticals	216,248	90,421
	<u>439,427</u>	<u>210,399</u>

In the 6 months ended August 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

	August 31, 2020	February 29, 2020
	\$	\$
Prepaid insurance	19,914	59,502
Prepaid rent	29,339	29,339
Deposits	8,995	—
	<u>58,248</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.

	August 31, 2020	February 29, 2020
	\$	\$
Right-of-use asset	1,466,516	1,466,516
Accumulated depreciation	(433,103)	(288,855)
	<u>1,033,413</u>	<u>1,177,661</u>

For the 6 months ended August 31, 2020, the Company recorded depreciation on the right-of-use asset of \$144,247 (2019 - \$144,247).

## 8. Property and equipment

	Furniture and fixtures \$	Research & development equipment \$	Portable building units \$	Computer hardware \$	Leaseholds \$	Processing equipment \$	Total \$
<b>Cost</b>							
February 29, 2020 and August 31, 2020	61,893	160,750	431,859	199,636	246,618	1,950,277	3,051,033
<b>Accumulated depreciation</b>							
February 29, 2020	16,432	39,256	36,264	54,417	21,413	184,682	352,464
Depreciation	6,189	16,098	21,593	37,930	12,331	112,945	207,086
August 31, 2020	22,621	55,354	57,857	92,347	33,744	297,627	559,550
<b>Exchange difference</b>	—	—	—	—	—	15,589	15,589
<b>Net book value</b>							
February 29, 2020	45,461	121,494	395,595	145,219	225,205	1,765,594	2,698,568
August 31, 2020	39,272	105,396	374,002	107,289	212,874	1,668,239	2,507,072

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 6 months ended August 31, 2020, the Company recorded depreciation on property and equipment of \$207,086 (2019 - negative depreciation of \$71,113).

## 9. Due to a related party

Due to a related party of \$126,500 (February 29, 2020 - \$129,000) represents advances from an officer and director. The advances are unsecured and non-interest bearing with \$72,500 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	46,781
Payments	(176,034)
Balance, August 31, 2020	1,093,714
Current	274,491
Non-current	819,223
	1,093,714

The remaining lease term is 3.58 years.

## 12. Loan payable

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 commitment is available in tranches of \$500,000 within 15 days of notice provided by the Company to the lender.



For the 6 months ended August 31, 2020, the Company recorded interest of \$5,000.

### 13. 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 6 months ended August 31, 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.

### 14. Warrant reserve

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

	<b>Weighted-average exercise price</b> \$	<b>Number of warrants</b>	<b>Warrant reserve</b> \$
Balance, February 29, 2020 and August 31, 2020	1.00	17,684	4,000

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

<b>Exercise price</b>	<b>Expiry date</b>	<b>Number of warrants</b>
\$1.00	October 9, 2020	17,684

### 15. 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:

	<b>Weighted-average exercise price</b> \$	<b>Number of stock options</b>	<b>Options reserve</b> \$
Balance, February 29, 2020 and August 31, 2020	0.82	3,896,000	2,635,827

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

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

## **16. Service fees**

For the 6 months ended August 31, 2019, on the completion of its performance obligation to install equipment pursuant to Managed Strip Services Agreements (each a "MSSA"), the Company recognized licence fees of \$893,953 as revenue. Subsequent to August 31, 2019, the Company reviewed its policy for the recognition of revenue and IFRS 15, *Revenue from Contracts with Customers* and determined that amounts earned for signing fees and fees for the installation of equipment in accordance with the MSSA should be deferred and recognized as revenue over time, commencing as the Company completes all of its performance obligations under each MSSA. Accordingly, the Company reversed the revenue of \$893,953 back to deferred revenue in the interim consolidated financial statements for the 9 months ended November 30, 2020.

## **17. Personnel**

Personnel costs are reported net of grants of \$94,852 received from the National Research Council of Canada Industrial Research Assistance Program and subsidies of \$113,055 from the Canada Emergency Wage Subsidy.

## **18. 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 August 31, 2020 approximated their respective carrying values due to their short term to maturity.

### *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.

## **19. 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 August 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.

## **20. 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.

## **21. 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:

	<b>6 months ended August 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Salaries	48,638	349,167
Stock-based compensation	–	1,036,469
	<b>48,638</b>	<b>1,385,636</b>

See note 9 for other related party transaction.

## **22. Subsequent event**

### **Government subsidies**

Subsequent to August 31, 2020, the Company received Canada Emergency Wage Subsidy of \$149,722.