Rapid Dose Therapeutics Corp.

Consolidated Financial Statements

For the years ended February 28, 2022, and February 28, 2021

(expressed in Canadian dollars)

RAPID DOSE THERAPEUTICS CORP.

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Rapid Dose Therapeutics Corp.
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

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 28, 2022 and February 28, 2021, 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 28, 2022 and February 28, 2021, 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 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended February 28, 2022 and, as of that date, the Company had a working capital deficiency. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 23 to the consolidated financial statements, which explains that certain comparative information presented for the year ended February 28, 2021 has been restated. Our opinion is not modified in respect of this matter.

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Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Andrew Kevin Spidle.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

January 27, 2023 — Licensed Public Accountants

Rapid Dose Therapeutics Corp
Consolidated Statements of Financial Position
As at February 28, 2022 and 2021

(Expressed in Canadian dollars)

	Notes	February 28, 2022 $	February 28, 2021 (Restated – Note 23) $
Assets			
Current			
Cash and cash equivalents		34,442	70,262
Amounts receivable	5	182,780	255,093
Inventory	6	236,627	333,397
Prepaid expenses	7	160,366	138,783
		614,215	797,535
Non-current			
Right-of-use asset	8	600,669	889,165
Property and equipment	9	1,853,323	2,145,025
		3,068,207	**3,831,725**
Liabilities			
Current			
Accounts payable and accrued liabilities		1,360,752	1,831,111
Due to a related party	10	259,000	129,000
Loans payable	11	500,000	1,100,000
Deferred revenue	12	23,344	902,129
Current portion of lease liability	13	309,364	285,655
		2,452,460	4,247,895
Non-current			
Lease liability	13	364,186	673,549
		2,816,646	**4,921,444**
Shareholders' equity			
Common shares	14	25,001,140	18,604,067
Warrant reserve	15	2,246,111	306,316
Contributed surplus	16	4,146,322	2,635,827
Accumulated other comprehensive loss		15,518	34,152
Deficit		(31,157,530)	(22,670,081)
		251,561	(1,089,719)
		3,068,207	**3,831,725**

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

Going concern	1
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Approved on behalf of the board of directors:

Mark Upsdell" — Director

"Jason Lewis" — Director

Rapid Dose Therapeutics Corp
Consolidated Statements of Loss and Comprehensive Loss
For the years ended February 28, 2022 and 2021
(expressed in Canadian dollars)

	Notes	February 28, 2022 $	February 28, 2021 (Restated – Note 23) $
Revenue			
Sales	17	1,751,916	755,201
Cost of sales	17	407,119	55,351
Gross profit	17	**1,344,797**	**699,850**
Expenses			
Personnel		1,589,575	783,432
Stock-based compensation	16	1,533,122	-
General and administrative		667,752	209,566
Professional fees		435,019	311,868
Sales and marketing		159,671	162,553
Research and development		359,290	85,310
Travel		-	36,307
Inventory provision	6	136,421	70,000
Depreciation	8 & 9	765,807	675,468
Interest	13	133,481	142,561
		5,780,138	**2,477,065**
Loss from operations		**(4,435,341)**	**(1,777,215)**
Non-operating expenses			
Foreign exchange gain (loss)		23,915	(28,043)
Interest income		363	-
Impairment	19	(4,084,842)	-
Other income		8,456	-
Net loss before other comprehensive loss		**(8,487,449)**	**(1,805,258)**
Currency translation adjustment		(18,634)	50,629
Net comprehensive loss		**(8,506,083)**	**(1,754,629)**
Net loss per common share-basic and diluted		**(0.08)**	**(0.02)**
Weighted average number of common shares-basic and diluted		**100,216,232**	**77,787,309**

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

Rapid Dose Therapeutics Corp
Consolidated Statement of Changes in Equity
For the years ended February 28, 2022 and 2021
(Expressed in Canadian dollars)

	Note	Share Capital No. of shares	Share Capital Amount	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit (Restated – Note 23)	Total
			$	$	$	$	$	$
Balance, February 29, 2020		**77,067,435**	**18,093,690**	**4,000**	**2,635,827**	**(16,477)**	**(20,864,823)**	**(147,783)**
Private placement of common shares	14	3,599,370	899,843	-	-	-	-	899,843
Fair value of warrants issued	15	-	(306,316)	306,316	-	-	-	-
Fair value of warrants expired	15	-	4,000	(4,000)	-	-	-	-
Share issued costs	14	-	(87,150)	-	-	-	-	(87,150)
Loss (Restated – Note 23)		-	-	-	-	50,629	(1,805,258)	(1,754,629)
Balance, February 28, 2021 (Restated (Note 23)		**80,666,805**	**18,604,067**	**306,316**	**2,635,827**	**34,152**	**(22,670,081)**	**(1,089,719)**
Units issued for the acquisition	18	18,751,118	4,687,780	2,180,309	-	-	-	6,868,089
Warrants issued for services	15	-	-	163,136	-	-	-	163,136
Warrants exercised	15	3,466,437	1,642,566	(403,650)	-	-	-	1,238,916
Stock options exercised	16	183,750	66,727	-	(22,627)	-	-	44,100
Stock-based compensation	16	-	-	-	1,533,122	-	-	1,533,122
Loss		-	-	-	-	(18,634)	(8,487,449)	(8,506,083)
Balance, February 28, 2022		**103,068,110**	**25,001,140**	**2,246,111**	**4,146,322**	**15,518**	**(31,157,530)**	**251,561**

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

Rapid Dose Therapeutics Corp
Consolidated Statements of Cash Flows
For the years ended February 28, 2022 and February 28, 2021
(Expressed in Canadian dollars)

	Notes	February 28, 2022	February 28, 2021 (Restated – Note 23)
		$	$
Cash provided by (used in)			
Operating activities			
Loss		(8,487,449)	(1,805,258)
Items not affecting cash			
Stock-based compensation	15 & 16	1,696,260	-
Depreciation		765,807	675,468
Inventory provision		136,421	70,000
Accrued interest		12,427	-
Impairment		4,084,740	-
		(1,791,794)	(1,059,790)
Changes in non-cash operating working capital			
Amounts receivable		202,643	(144,286)
Inventory		(39,651)	(192,998)
Prepaid expenses		(21,583)	(49,942)
Accounts payable and accrued liabilities		(470,359)	453,087
Deferred revenue		(878,785)	(629,713)
		(2,999,529)	(1,623,642)
Investing activities			
Purchase of property and equipment		(40,356)	(9,124)
Disposal of property and equipment		1,198	-
Acquisition of CCB	19	1,894,141	
		1,854,983	(9,124)
Financing activities			
Due to a related party		130,000	-
Loans payable		-	1,100,000
Payment on lease, net of interest	13	(285,654)	(263,763)
Issuance of common shares		-	899,843
Share issue costs		-	(87,150)
Exercise of warrants	15	1,238,916	-
Exercise of options	16	44,100	-
		1,127,362	1,648,930
Net increase (decrease) in cash		(17,184)	16,164
Cash, beginning of year		70,262	3,469
Currency translation adjustment		(18,636)	50,629
Cash, end of year		34,442	70,262
Supplementary information			
Interest paid		66,414	142,561
Common shares issued on CCB acquisition	19	4,687,780	-
Warrants issued on CCB acquisition	19	2,180,309	-
Debt extinguished on CCB Acquisition	19	612,427	-
Deposit on property & equipment applied against accounts payable		-	175,695

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

1. Nature of operations and going concern

Reporting Entity

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. Its head office and registered office is located at 1121 Walker's Line, Unit 3A, Burlington, Ontario, L7N 2G4.

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 in its early stages of growth and has just started to generate revenue. For the year ended February 28, 2022, the Company recorded a loss of $8,487,449 (2021 - $1,805,258 (restated - note 23)) and as at February 28, 2022, had a working capital deficiency of $1,838,245 (2021 - $3,450,360). The 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.

On October 10 2020, the Company received its site licence for Natural Health Products approved for manufacturing, packaging and labelling of natural health products. Importing, under that Licence, required the submission of additional requested documents from the manufacturer. This re-submission process continued throughout 2021 and 2022, in part due to extensive delays in Health Canada’s approval processes due to approving products required to combat the COVID-19 epidemic. Products imported by the Company during the extended approval process contained the necessary natural health product numbers (NPNs) assigned by Health Canada and were processed through Customs’ normal channels accordingly. On January 5, 2023 Health Canada and the Company mutually agreed to the withdrawal of the previously approved site licence and submission a new site licence application including “importing” as an additional permitted activity as the fastest route to approval. The Company submitted this application on January 20, 2023 and according to Health Canada, service standards, expects the complete site license to be issued within 30 days. While the Company believes it will successfully obtain the site license, there is no assurance the application as filed will be approved. During the interim period between the revised application resubmission and receipt of the license, the Company is permitted and continues to carry on licensable activities in its cannabis licensed operations. The Company believes any economic impact on account of not carrying on nutraceutical product activities during such period will be minimal and have no material impact on the operations of the business.

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.

COVID-19

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.

2. 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 January 27, 2023.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis.

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.

3. Significant accounting policies and future accounting changes

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 Solutions Inc, RDT Therapeutics Inc., and Consolidated Craft Brands Inc. (“CCB”). 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:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- 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.

Use of estimates, judgments, and assumptions

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. The determination of foreign exchange differences on loans to the US subsidiary is recorded to other comprehensive income because the loans are part of the net investment in a foreign operation and repayment is not expected in the foreseeable future.

Business combinations (note 19)
Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgement on a case-by-case basis. As outlined in IFRS 3 Business Combinations, the components of a business must include inputs, processes, and outputs.

Management makes judgements in the valuation of the consideration transferred, including determining the value of any contingent consideration. The consideration transferred for an acquired business ("purchase price") is assigned to the identifiable tangible and intangible assets purchased and liabilities assumed on the basis of their fair values at the date of acquisition. The identification of assets acquired, and liabilities assumed, and the valuation thereof is judgmental.

Estimated useful life of long-lived assets (notes 8 & 9)
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 (notes 8, 9, and 19)
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. As at the year ended February 28, 2022, there were no identified provisions.

Valuation of stock-based compensation and warrants (note 15 & 16)
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 (note 18)
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 (note 18)
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.

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.

Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related party	Amortized cost
Loan payable	Amortized cost

Foreign currency translation

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.

Assets and liabilities of subsidiaries having a functional currency other than the Canadian dollar are translated at the rate of exchange at the end of the reporting period. 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.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting date.

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, 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. 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 asset

The carrying value of non-financial assets 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.

Goodwill is assessed for indicators of impairment at the end of each reporting period and is tested annually or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount.

The Company recognized an impairment loss on its goodwill during the year (Note 19).

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. The value assigned to the warrants are reclassified back to share capital upon exercise or expiry of the warrants.

Revenue recognition

The Company generates revenue through (a) sale of health and wellness products, (c) white label manufacturing, and (c) licencing under managed strip service agreements ("MSSA"). In determining the appropriate amount of revenue to be recognized, the Company performs the following steps:

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

Sale of health and wellness products
The Company generates revenue from the sale health and wellness products (which comprise nutraceutical strips and infused soaps - the "Products") to distributors and retailers. Pursuant to distribution agreements and purchase orders ("Contracts"), the Company has a single performance obligation to deliver the Products 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.

White label manufacturing
The Company generates service fee revenue from manufacturing its thin film polymer strips using the customer's active ingredient in the Company's formulated and packaged product. Shipment is authorized by the customer once the Certificate of Analysis of the product has been provided to the Company by an independent third party. The Company recognizes the service fee revenue on a per piece basis at the time of shipment. The Company may also charge the customer a separate charge for third party quality control testing.

MSSAs
The Company recognizes any upfront payments received as a contract liability (in deferred revenue) which are recognized into revenue over the expected life of the contract. Variable consideration on the MSSA contracts is recognized when the underlying strips are produced and sold and when the Company reasonably expects payment. During the years ended February 28, 2021 and 2022, the Company's MSSA agreements were terminated. See notes 12 and 23.

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 for goods and services 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 28, 2022 and February 28, 2021.

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 28, 2022, and February 28, 2021, outstanding stock options and warrants are anti-dilutive.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates items recognized directly in equity or in other comprehensive income, in which case the income tax is also recognized directly in equity of 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 qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantially 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 it is no longer probable that sufficient taxable earnings will be available to allow all of part of the asset to be recovered.

Business combinations

The Company uses the acquisition method to account for business combinations when control is acquired. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interest issued by the Company. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.

The Company assesses whether a transaction results in an asset or business acquisition using the optional concentration test, which is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the assets is concentrated in a single identifiable asset or a group of similarly identifiable assets. If the test is failed, the assessment focuses on the existence of a substantive process. The Company thoroughly assesses whether a transaction is an asset or business acquisition by assessing inputs and determining whether the processes acquired are substantive.

The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value or its proportionate share of the recognized amount of the identifiable net assets at the acquisition date. Acquisition costs are expensed as incurred unless they qualify to be treated as debt issuance costs or costs of issuing equity securities.

IFRS 3 Business Combinations clarifies the definition of a business and permits a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

Leases

The Company assesses whether a contract is or contains a lease at inception of a contract. Leases are recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in net finance costs in the Consolidated Statements of Loss and comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), variable lease payments that are based on an index or a rate or subject to a fair market value renewal, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lease liability is net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee’s incremental borrowing rate. The period over which the lease payments are discounted is the reasonably certain lease term, including renewal options that the Company is reasonably certain to exercise. Renewal options are included in a number of leases across the Company. Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administrative expenses in the Consolidated Statements of Loss and comprehensive loss.

Short-term leases are leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index or a rate or subject to a fair market value renewal are expensed as incurred and recognized in general and administrative expenses in the Consolidated Statements of Loss and comprehensive loss. Right-of-use assets are measured at cost which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Company discounts lease payments using its incremental borrowing rate at the inception of the lease. The Company did not enter any new lease agreements during the years ended February 28, 2022 and 2021.

4. Change in accounting standards

Standards, Amendments, and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ending February 28, 2022 and, accordingly, have not been applied in preparing these consolidated financial statements.

Improving Accounting Policy Disclosures and Clarifying Distinction between Accounting Policies and Accounting Estimates (Amendments to IAS 1 and IAS 8)
In February 2021, the IASB issued narrow-scope amendments to IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2 Making Materiality Judgments and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.
The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from change in accounting estimates.
That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The Company is assessing the potential impact of these amendments.

IAS 12: Amendment to IAS 12, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is assessing the potential impact of the amendment.

(expressed in Canadian dollars)

New and Amended Accounting Pronouncements

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after March 1, 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Covid-19-Related Rent Concessions beyond June 30, 2021 Amendments to IFRS 16

On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022.The amendment applies to annual reporting periods beginning on or after April 1, 2021.

The Company has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

5. Amounts receivable

	February 28 2022	February 28 2021
	$	$
Trade receivables	71,897	84,907
Government grants and HST receivable	110,883	170,186
	182,780	255,093

6. Inventory

	February 28 2022	February 28 2021
	$	$
Raw materials	102,561	72,082
Labels and packaging	79,271	82,540
Finished goods (i)	206,694	248,775
Inventory provision (i)	(151,899)	(70,000)
	236,627	333,397

(i) The provision for inventory impairment relates entirely to the Company's finished goods inventory.

(ii) During the year ended February 28, 2022, $102,268 of inventories were expensed in cost of sales (2021 – $17,681).

(iii) The inventory provision expense during the years ended February 28, 2022 and 2021 relates to the expectation of the inventories expiring before they can be sold.

(expressed in Canadian dollars)

7. Prepaid expenses and deposits

	February 28 2022	February 28 2021
	$	$
Prepaid insurance	54,588	53,247
Prepaid occupancy expense	29,339	29,339
Prepaid marketing costs	35,893	20,894
Deposit for inventory	40,546	35,303
	160,366	138,783

8. Right-of-use asset

	February 28 2022	February 28 2021
	$	$
Right-of-use asset	1,466,516	1,466,516
Accumulated depreciation	(865,847)	(577,351)
	600,669	889,165

Right-of-use asset represents a lease for office premises with a term ending on March 31, 2024. For the year ended February 28, 2022, the Company recorded depreciation on the right-of-use asset of $288,496 (2021 - $288,496).

(expressed in Canadian dollars)

9. Property and equipment

	Furniture and fixtures $	R&D equipment $	Portable building units $	Computer hardware $	Leaseholds $	Processing equipment $	Total $
Cost							
February 29, 2020	61,893	160,750	431,859	199,636	246,618	1,950,277	3,051,033
Additions	-	-	-	-	-	9,124	9,124
Deposit on machinery & equipment	-	-	-	-	-	(175,695)	(175,695)
February 28, 2021	61,893	160,750	431,859	199,636	246,618	1,783,706	2,884,462
Additions	-	-	-	-	-	40,356	40,356
Acquisition of CCB (note 19)	-	146,451	-	-	-	-	146,451
Disposal	-	(1,198)	-	-	-	-	(1,198)
February 28, 2022	61,893	306,003	431,859	199,636	246,618	1,824,062	3,070,071
Accumulated depreciation							
February 29, 2020	16,432	39,256	36,264	54,417	21,413	184,683	352,465
Depreciation	12,378	32,196	43,186	48,659	24,662	225,891	386,972
February 28, 2021	28,810	71,452	79,450	103,076	46,075	410,574	739,437
Depreciation	6,616	29,290	35,241	20,385	100,279	285,500	477,311
February 28, 2022	35,426	100,742	114,691	123,461	146,354	696,074	1,216,748
Net book value							
February 28, 2021	33,083	89,298	352,409	96,560	200,543	1,373,132	2,145,025
February 28, 2022	26,467	205,261	317,168	76,175	100,264	1,127,988	1,853,323

(expressed in Canadian dollars)

10. Related party balances and 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.

Related party debt

Due to a related party represents advances from an individual who is an officer and director of the Company. The advances are secured by Promissory Notes with interest and maturity dates as follows:

	February 28, 2022	**February 28, 2021**
	$	$
Promissory note, Interest at 12%, payable monthly, due March 1, 2023	150,000	-
Promissory note, non-interest bearing, due April 1, 2022 (i)	109,000	129,000
	259,000	129,000

(i) On March 15, 2022, the promissory note was extended to April 1, 2023.

Compensation of key management personnel

Transactions with officers and key management personnel are set out as follows:

	February 28, 2022	**February 28, 2021**
	$	$
Salaries	600,000	321,452
Stock-based compensation	611,916	-
	1,211,916	321,452

11. Loans payable

	February 28, 2022	**February 28, 2021**
	$	**$**
Working capital loan (i)	-	500,000
Working capital loan (ii)	500,000	-
Promissory note (iii)	-	600,000
	500,000	1,100,000

(i) On August 4**,** 2020, the Company received working capital loan proceeds of $500,000 from a private lender, secured by a promissory note registered under the Personal Property Securities Act**,** Ontario. The loan bears interest at 12% per annum, payable monthly in arrears and maturing on November 30, 2021.

(expressed in Canadian dollars)

(ii) On November 29, 2021 the loan was repaid with proceeds of $500,000 from a company related to a shareholder of the Company. The loan was secured by a promissory note registered under the Personal Property Securities Act, Ontario bearing interest at 12% per annum to be repaid on January 31, 2022. On January 19, 2022 the loan maturity was extended to July 31, 2022 (see note 24).

(iii) During the year ended February 28, 2021, the Company received $600,000 from the issuance of promissory notes from a CCB shareholder, due and payable on closing of the CCB transaction (see note 19):

November 1, 2020	$300,000, interest at 8%, payable at maturity
November 30, 2020	$200,000, interest at 3%, payable at maturity
February 15, 2021	$100,000, interest at 3%, payable at maturity

The notes and the interest on the notes, amounting to $600,000 and $12,427 respectively, were settled as part of the consideration on closing of the purchase of the shares of 2544737 Ontario Limited on March 19, 2021, as disclosed in Note 19.

12. Deferred revenue

Deferred revenue at February 28, 2022, represents customer deposits for orders to be shipped subsequent to year end.

Deferred revenue at February 28, 2021, represents a customer payment under an MSSA agreement.

During the year ended February 28, 2022, the Company recognized deferred revenue of $692,549 as a result of the termination of the MSSA contract (2021 - $492,396). See note 23.

13. Lease Liability

	February 28, 2022 $	February 28, 2021 $
Balance, beginning of the year	959,204	1,222,967
Interest	66,414	88,305
Payments	(352,068)	(352,068)
Balance, end of the year	673,550	959,204
Current	309,364	285,655
Non-current	364,186	673,549
	673,550	959,204

	February 28, 2022 $	February 28, 2021 $
Less than one year	352,068	352,068
1 to 5 years	381,407	733,475
Gross lease liabilities	733,475	1,085,543
Less: Interest on lease liabilities	59,925	126,339
Net lease liabilities	673,550	959,204

The remaining lease term is 2.09 years, with payments due monthly in an amount of $29,339.

(expressed in Canadian dollars)

14. Share capital

Authorized
An unlimited number of common shares without par value

Outstanding
103,068,110 common shares

Issuance of shares

(i) 18,751,118 common share units were issued (each, a "Unit") pursuant to a business combination by way of a three-cornered amalgamation between the Company, 2814882 Ontario Inc., a wholly owned subsidiary of the Company, (Subco") and 2544737 Ontario Limited, o/a Consolidated Craft Brands, ("CCB") which closed on March 19, 2021. Each Unit was comprised of one common share of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant") of the Company, each such Warrant entitling the holder thereof to acquire one Common Share at a price of $0.375 per Common Share at any time on or before March 19, 2023 (Note 19).
(ii) During the year, 3,466,437 warrants were exercised. The Company issued 3,466,437 common shares in exchange in accordance with the original subscription agreements. (Note 15).
(iii) During the year, 183,750 options were exercised. The Company issued 183,750 common shares in exchange in accordance with the original subscription agreements. (Note 16).

15. Warrant reserve

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

	Weighted average price	Number of warrants	Warrant reserve
Balance, February 28, 2020	1.00	17,684	4,000
Issued	0.40	3,599,370	306,616
Cancelled	0.75	(17,684)	(4,000)
Balance, February 28, 2021		3,599,370	306,616
Issued	0.38	19,551,118	2,343,445
Exercised	0.40	(200,000)	(17,021)
Exercised	0.375	(2,866,437)	(333,298)
Exercised	0.21	(400,000)	(53,331)
Balance, February 28, 2022		19,684,051	2,246,111

On March 19, 2021, as part of the acquisition of CCB (see note 19), the Company issued 18,751,118 warrants with a two-year term exercisable during that term at $0.375 each.

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

Number of Warrants	18,751,118
Exercise price	$ 0.375
Share Price	$ 0.250
Risk-free interest rate	0.26%
Expected volatility based on historical volatility	108%
Expected life of warrants	2 years
Expected dividend yield	0%
Fair value	$ 2,180,309

(expressed in Canadian dollars)

The Company entered into a 1-year advisory agreement commencing March 1, 2021, under which the Company would issue a total of 600,000 warrants with a two-year life exercisable at the 10-day volume weighted average share price on the date of issuance. The warrants would be issued in three equal tranches: 200,000 immediately, 200,000 on the six-month anniversary, and 200,000 on the twelve-month anniversary. The warrants are accounted for in accordance with IFRS 2 share-based payment. The total value of the warrants was determined to be $82,510 and was recognized as an expense in general and administrative expense during the year. 200,000 of the warrants have not yet been issued.

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

Number of Warrants	600,000
Exercise price	$ 0.375
Share Price	$ 0.21 to 0.223
Risk-free interest rate	0.23%
Expected volatility based on historical volatility	107%
Expected life of warrants	2 years
Expected dividend yield	0%
Fair value	$ 82,510

The Company entered into a 1-year advisory agreement commencing March 1, 2021, under which the Company would issue a total of 600,000 warrants with a two-year life exercisable at the 10-day volume weighted average share price on the date of issuance. The warrants would be issued in three equal tranches: 200,000 immediately, 200,000 on the six-month anniversary, and 200,000 on the twelve-month anniversary. The warrants are accounted for in accordance with IFRS 2 share-based payment. The total value of the warrants was determined to be $80,626 and was recognized as an expense in general and administrative expense during the year. 200,000 of the warrants have not yet been issued.

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

Number of Warrants	600,000
Exercise price	$ 0.375
Share Price	$ 0.223 to 0.250
Risk-free interest rate	0.23%
Expected volatility based on historical volatility	107%
Expected life of warrants	2 years
Expected dividend yield	0%
Fair value	$ 80,626

(expressed in Canadian dollars)

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

Exercise price ($)	Number of warrants outstanding and exercisable	Expiry date
0.400	3,399,370	December 16, 2022 (i)
0.375	15,884,681	March 19, 2023
0.240	200,000	March 29, 2023
0.330	200,000	January 18, 2024
Total	19,684,051	

(i) expired after the end of the reporting period.

16. Options reserve

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.

During the year ended February 28, 2022, the Company granted stock options to directors, officers, employees, and consultants.

On March 29, 2021, pursuant to its Stock Option Plan, the Company granted incentive stock options to acquire 4,490,000 common shares at an exercise price of $0.24 per share. Each has a term of two years and vests equally every six months over the term. During the year 266,250 options were cancelled and 183,750 options were exercised at the option price of $0.24 per share.

On July 29, 2021, pursuant to its Stock Option Plan, the Company granted incentive stock options to acquire 2,100,000 common shares at an exercise price of $0.65 per share. Each has a term of 5 years and vest equally every six months over the first two years of the term except for options granted to Investor Relations Consultants whereby the options vest one-half after one year with the other one-half vesting every six months of year two of the term.

On December 15, 2021, pursuant to its Stock Option Plan, the Company granted incentive stock options to acquire 500,000 common shares at an exercise price of $0.58 per share. Each has a term of 5 years and vest equally every six months over the first two years of the term.

On January 04, 2022, pursuant to its Stock Option Plan, the Company granted incentive stock options to acquire 200,000 common shares at an exercise price of $0.51 per share. Each has a term of 5 years and vest equally every six months over the first two years of the term.

(expressed in Canadian dollars)

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

	March 29, 2021	July 29, 2021	December 15, 2021	January 4, 2022
Number of Options	4,490,000	2,100,000	500,000	200,000
Exercise price	$ 0.240	$ 0.650	$ 0.580	$ 0.510
Share Price	$ 0.240	$ 0.620	$ 0.550	$ 0.455
Risk-free interest rate	0.23%	0.23%	0.23%	0.23%
Expected volatility based on historical volatility	109%	470%	471%	471%
Expected life of warrants	2 years	5 years	5 years	5 years
Expected dividend yield	0%	0%	0%	0%
Fair value	$ 602,842	$ 1,302,000	$ 275,000	$ 91,000
Number issued to key management personnel (note 10)	2,200,000	900,000	-	-

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

	$		$
Balance, March 1 2020	0.82	5,526,000	2,635,827
Cancelled	0.82	(2,085,000)	-
Balance, Feb 28, 2021	0.82	3,441,000	2,635,827
Granted / value vested	0.24 to 0.65	7,290,000	1,533,122
Exercised	0.24	(183,750)	(22,627)
Cancelled	0.24	(266,250)	-
Balance, Feb 28, 2022	0.54	**10,281,000**	**4,146,322**

A summary of the Company's outstanding stock options as at February 28, 2022 is presented below:

Exercise price	**Number of stock options outstanding**	**Expiry date**	**Number of stock options exercisable**
0.82	3,441,000	March 11, 2024	3,441,000
0.58	500,000	December 14, 2026	200,000
0.51	200,000	January 4, 2027	45,500
0.65	2,100,000	July 28, 2026	462,500
0.24	4,040,000	March 28, 2023	2,020,000
Total	**10,281,000**		**6,169,000**

(expressed in Canadian dollars)

17. Segmented information

The Company has one operating segment comprising production, distribution, research, and the provision of technical services for the delivery of oral thin film strips containing active ingredients.

Entity-wide disclosure:

The Company has three primary sources of revenue:

1) Sales of health and wellness products consisting of nutraceuticals and infused soaps;
2) Sales of oral thin film strips containing active ingredients under cannabis licensing
3) Revenue derived from licensing under service agreements (MSSA).

The following table sets out the revenue and costs for each segment:

	Year ended February 28, 2022			**Year ended February 28, 2021**		
	Revenue $	**Cost of Sales $**	**Gross Profit $**	**Revenue $**	**Cost of Sales $**	**Gross Profit $**
Nutraceuticals	18,295	18,042	253	52,444	33,236	19,208
Infused soaps	34,211	12,414	21,797	-	-	-
Health and wellness	**52,506**	**30,456**	**22,050**	**52,444**	**33,236**	**19,208**
White Label	917,179	306,691	610,488	208,114	22,115	185,999
Product Testing	58,925	50,975	7,950	-	-	-
White Label	**976,104**	**375,565**	**618,438**	**208,114**	**22,115**	**185,999**
MSSA contracts	692,549	-	692,549	492,396	-	492,396
Licensing and other	30,757	18,997	11,760	2,247	-	2,247
MSSA	**723,306**	**18,997**	**704,309**	**494,643**	**-**	**494,643**
Total	**1,751,916**	**407,119**	**1,344,797**	**755,201**	**55,351**	**699,850**

Customer Concentration:

Two customers comprised 99% of white label revenues during the year ended February 28, 2022 (2021 - one customer – 100%).

One customer comprised 100% of MSSA revenues during the year ended February 28, 2022 (2021 - two customers – 100%).

Geographic Information:

All of the Company’s operations and assets are in Canada.

(expressed in Canadian dollars)

18. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory rate of 26.5% (2021 - 26.5%) to the effective tax rate is as follows:

	February 28 2022 $	February 28 2021 $ (Restated – Note 23)
Net loss	(8,487,449)	(1,805,258)
Expected income tax (recovery) expense	(2,249,170)	(478,393)
Tax rate changes and other adjustments	(2,670)	10,510
Non-deductible expenses	1,483,310	1,610
Share issue costs booked directly to equity	-	(23,090)
Changes in tax benefits not recognized	768,530	489,363
Income tax (recovery)	-	-

Deferred tax

The following table summarizes the components of deferred tax:

	February 28 2022 $	February 28 2021 $
Deferred tax assets		
Capital lease obligation	159,180	235,630
Operating tax losses carried forward - Canada	-	1,390
Deferred tax liabilities		
Property, plant, and equipment	-	(1,390)
Right of use assets	(159,180)	(235,630)
Income tax (recovery)	-	-

(expressed in Canadian dollars)

Unrecognized deferred tax assets

Deferred income 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 because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom:

	February 28 2022 $	**February 28 2021** (Restated – Note 23) $
Property and equipment	632,490	290,350
Right of use assets	72,880	70,040
Unrealized FX gains or losses	23,880	23,880
Share issuance costs	96,740	156,490
Operating tax losses carried forward – Canada	13,284,860	10,690,184
Operating tax losses carried forward - USA	864,750	839,230
	14,795,600	12,070,174

The Canadian operating tax loss carry forwards expire as noted in the table below. The remaining deductible temporary differences, including the U.S. operating tax losses, may be carried forward indefinitely.

As at February 28 2022, the Company's Canadian operating tax losses expire as follows:

	$
2037	1,535,390
2038	1,863,950
2039	1,408,430
2040	4,434,170
2041	1,448,240
2042	2,594,680
	13,284,860

19. Acquisition of 2544737 Ontario Limited operating as Consolidated Craft Brands (“CCB”).

On March 19, 2021, the Company acquired 100% of the common shares of CCB, an early-stage company in the consumer-packaged brands industry focused on developing, manufacturing, and distributing therapeutic wellness products. Immediately after the acquisition, CCB was amalgamated with a newly incorporated wholly owned subsidiary of the Company with the succeeding company carrying on business as CCB.

The acquisition brought to the Company synergistic products, valuable relationships, various business partnerships and experienced management which would allow for production of products complimentary to the Company’s offerings.

The acquisition is being accounted for as a Business Combination in accordance with IFRS 3 “Business Combinations”.

(expressed in Canadian dollars)

Details of the acquisition are as follows:

The agreement contemplated the issuance of 20,000,000 Units of the Company to the CCB Shareholders in exchange for 100% of the outstanding shares of CCB. Each Unit comprised one common share and one share purchase warrant. Each Warrant entitles the holder to acquire, for a two-year period, one Common Share at $0.375 each.

The Units are subject to a separate escrow arrangement with each CCB Shareholders whereby the Units shall be released in eight tranches over an eleven-month period from closing of the acquisition with the final 20% released at the end of the eleven-month period.

The acquisition agreement allowed for a reduction of all, or a portion of, the number of final release Units upon the occurrence of certain defined events as detailed in the Acquisition Agreement (the “Clawback”). Due to the Clawback, the Company ultimately issued 18,751,118 common shares and 18,751,118 warrants as consideration for the acquisition of the business assets of CCB. Additionally, certain CCB shareholders elected to repay the Company a cash amount rather than have their shares reduced. The Company received a total of $29,778 in cash payments from the CCB shareholders related to this election.

The fair value of the common shares was determined by reference to the closing share price on the date of the transaction and the fair value of the warrants was calculated using the black Scholes option pricing model.

The allocation of the purchase price paid to the net assets received are as follows:

Fair Value of consideration transferred	**$**
Fair Value Common Shares	4,687,780
Fair Value of Warrants	2,180,309
Settlement of pre-existing loan (note 11)	(612,427)
Cash claw-back	(29,778)
	6,225,884
Recognized amounts of identifiable net assets	
Cash	1,864,363
Accounts receivable	100,300
Government receivable	29,928
Total current assets	1,994,591
Equipment	146,451
Total non-current assets	146,451
Identifiable net assets	**2,141,042**
Goodwill on acquisition	**4,084,842**
Consideration transferred	**6,225,884**

Impairment

At the end of each quarterly reporting period, the Company assesses whether there were events or changes in circumstances that would indicate that a CGU or group of CGUs were impaired. The Company considers external and internal factors, including overall financial performance and relevant entity-specific factors, as part of this assessment.

Goodwill was initially recognized on acquisition of CCB in March, 2021 and was monitored at a CGU level associated with the assets and cash flows arising from the acquisition of CCB. The Company noted indicators of impairment as at February 28, 2022, including market capitalization and ongoing business transformation plans and, as a result, carried out an assessment of the impairment of its goodwill and other assets. In testing for impairment, goodwill and other assets acquired in the business combination were allocated to the cash-generating units to which they related. As a result of impairment testing performed at February 28, 2022, the Company determined an impairment loss of $4,084,842, representing the difference of the amount determined through Value in Use and the carrying value of the assets.

The significant assumptions applied in the determination of the value in use amount as at February 28, 2022, are as explained as follows:

Cash flows: Estimated cash flows were projected based on estimated operating results from internal sources as well as industry and market trends. Estimated cash flows are primarily driven by sales volumes, selling prices and operating costs. The forecasts are extended to a total of five years (and a terminal year thereafter) and were approved by the management;

Terminal value growth rate: The terminal growth rate was based on historical and projected consumer price inflation, historical and projected economic indicators, and projected industry growth;

Pre-tax discount rate: The pre-tax discount rate is reflective of the CGUs Weighted Average Cost of Capital (“WACC”). The WACC was estimated based on the risk-free rate, equity risk premium, beta adjustment to the equity risk premium based on a direct comparison approach, an unsystematic risk premium, and cost of debt based on corporate bond yields; and

In addition, the key assumptions used in calculating the value in use are as follows:

Budgeted revenue growth rate – 3-4%; and
Weighted average cost of capital – 10%

20. 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, due to a related party, and loans payable

The fair values of cash, accounts receivable and accounts payable and accrued liabilities, due to a related party, and loans payable at February 28, 2022 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 number 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.

21. 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.

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.

22. Capital risk management

The Company considers its capital to be shareholders' equity which comprises share capital, warrant reserve, contributed surplus, 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.

(expressed in Canadian dollars)

23. Restatement

During the year ended February 28, 2021, the Company incorrectly included $492,366 in deferred revenue, which should have been recognized as revenue during fiscal 2021 upon termination of the respective MSSA agreements during the year. A reconciliation of the Company's previously reported balances with the restated balances are as follows:

Consolidated statement of financial position

	As previously reported $	Adjustment $	As restated $
Liabilities			
Current			
Deferred revenue	1,394,525	(492,396)	902,129
	1,394,525	(492,396)	902,129
Total liabilities	5,413,840	(492,396)	4,921,444
Shareholders' equity			
Deficit	(23,162,477)	492,396	(22,670,081)
Total equity	(1,582,115)	492,396	(1,089,719)

Consolidated statement of loss and comprehensive loss

	As previously reported $	Adjustment $	As restated $
Revenue	262,805	492,396	755,201
Gross profit	207,454	492,396	699,850
Loss from operation	(2,269,611)	492,396	(1,777,215)
Net loss before other comprehensive loss	(2,297,654)	492,396	(1,805,258)
Net comprehensive loss	**(2,247,025)**	**492,396**	**(1,754,629)**
Loss per share	(0.03)	0.01	(0.02)

Consolidated statement of cash flows

	As previously reported $	Adjustment $	As restated $
Operating activities			
Loss	(2,297,654)	492,396	(1,805,258)
Changes in non-cash operating working capital			
Deferred revenue	(137,317)	(492,396)	(629,713)

24. Subsequent events

Management cease trade order

On June 16, 2022, the Company submitted an application to the OSC for a management cease trade order (the "MCTO") pursuant to NP 12-203. The application for the MCTO was made in connection with the delay in filing the Company's audited annual financial statements for the year ended February 28, 2022, the related management's discussion and analysis and CEO and CFO certifications, which were required to be filed on or before June 28, 2022.

Share capital transactions

In April 2022, the Company closed private placements for 506,156 units issued at $0.30 per unit with gross proceeds of $151,847 and financing costs of $1,600 in cash and the issuance of 8,000 broker warrants exercisable at $0.30. Each unit comprises one common share and one common share purchase warrant exercisable at $0.40 until April 2024. The broker warrants remain unissued as at the reporting date.

Debt financing

The repayment of the promissory note originally dated January 31, 2022, was extended to January 31, 2023, under the same terms and conditions (see note 11).

On March 31, 2022, the Company obtained advances from an officer of the Company amounting to $163,000, secured by promissory notes bearing interest at twelve percent (12%) per annum, maturing April 1,2023.

On July 5, 2022, the Company obtained short-term working capital financing of $250,000 from a private lender, with interest payable monthly at 12% per annum, secured by a promissory note and a general security agreement. The note is due on the earlier of date of delivery of a demand letter requiring payment or July 5, 2023. An officer of the Company has guaranteed the loan.

On August 8, 2022, the Company issued 230 units for gross proceeds of $230,000. Each unit comprises one $1,000 two-year convertible note, bearing interest at 12% per annum and convertible into common shares at $0.40 per share, and 100 common share purchase warrants exercisable at $0.40 for two years.

Between September to December 2022, the Company obtained private loans amounting to $310,000 to assist with financing operations. The loans are unsecured, due on demand bearing interest at twelve percent (12%) per annum, payable annually, and have maturities of less than 1 year from the date of issuance.

On January 4, 2023, the Company obtained further advances from an officer of the Company amounting to $90,000 secured by Promissory notes are non-interest bearing and mature on April 1, 2023.