



**Rapid Dose Therapeutics Corp.**  
**Condensed Consolidated Interim Financial Statements**  
**May 31, 2022**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

# Rapid Dose Therapeutics Corp.

<b>Index</b>	<b>Page</b>
Notice of No Auditors' Review	2
<b>Condensed Consolidated Interim Financial Statements</b>	
Condensed Consolidated Interim Statement of Financial Position	3
Condensed Consolidated Interim Statement of Operations and Comprehensive Loss	4
Condensed Consolidated Interim Statement of Changes in Equity	5
Condensed Consolidated Interim Statement of Cash Flows	6
Notes to Condensed Consolidated Interim Financial Statements	7 - 22

## **Rapid Dose Therapeutics Corp.**

### **Notice of No Auditors Review of Condensed Consolidated Interim Financial Statements**

Under National Instrument 51-102, if an auditor has not performed a review of condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

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

The Company's independent auditors have not performed a review of these unaudited condensed consolidated interim financial statements in accordance with the standards established by the Canadian Chartered Professional Accountants (CPA) Canada for a review of interim financial statements by an entity's auditors.

**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
**(Unaudited)**  
(Expressed in Canadian dollars)

	Notes	May 31, 2022 \$	February 28, 2022 \$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		4,960	34,442
Amounts receivable	5	156,878	182,780
Inventory	6	289,298	236,627
Prepaid expenses	7	145,005	160,366
		596,141	614,215
<b>Non-current</b>			
Right-of-use asset	8	528,545	600,669
Property and equipment	9	1,808,862	1,853,323
		<b>2,933,548</b>	<b>3,068,207</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		1,718,486	1,360,752
Due to a related party	15	422,000	259,000
Loans payable	10	500,000	500,000
Deferred revenue		23,344	23,344
Current portion of lease liability	11	315,593	309,364
		2,977,584	2,452,460
<b>Non-current</b>			
Lease liability	11	282,913	364,186
		<b>3,260,497</b>	<b>2,816,646</b>
<b>Shareholders' equity</b>			
Common shares	12	25,094,734	25,001,140
Warrant reserve	13	2,298,018	2,246,111
Contributed surplus	14	4,430,329	4,146,322
Accumulated other comprehensive loss		15,939	15,518
Deficit		(32,165,969)	(31,157,530)
		(326,949)	251,561
		<b>2,933,548</b>	<b>3,068,207</b>

See accompanying notes

**Going concern**      **Note 1**  
**Restatement**      **Note 18**  
**Subsequent events**      **Note 19**

**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
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(Expressed in Canadian dollars)

	Notes	Three months ended May 31, 2022 \$	2021 Restated- Note 16 \$
Revenue			
Sales	18	61,766	823,748
Cost of sales		30,373	46,327
<b>Gross profit</b>		<b>31,393</b>	<b>777,421</b>
Expenses			
Personnel		386,043	393,409
Stock-based compensation		284,006	41,016
General and administrative		101,594	110,806
Professional fees		23,355	79,918
Sales and marketing		55,969	12,103
Research and development		42,540	27,805
Depreciation	8, 9	115,592	152,496
Interest		30,733	33,724
		1,039,832	851,277
Loss from operations		(1,008,439)	(73,856)
Non-operating expenses			
Foreign exchange gain (loss)		-	11,586
Interest income		-	240
Provision for termination costs		-	(98,305)
Net loss before other comprehensive loss		(1,008,439)	(160,335)
Currency translation adjustment		421	-
<b>Comprehensive loss for the period</b>		<b>(1,008,018)</b>	<b>(160,335)</b>
Net loss per share-basic and diluted		(0.01)	(0.002)
Weighted average number of shares outstanding -basic and diluted		103,113,553	82,352,526

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**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
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	Note	Share Capital			Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
		Number of shares	Amount	Warrants				
			\$	\$	\$	\$	\$	\$
<b>Balance, February 29, 2021 restated</b>	18	<b>80,666,805</b>	<b>18,694,067</b>	<b>306,316</b>	<b>2,635,827</b>	<b>34,152</b>	<b>(22,670,081)</b>	<b>(1,089,719)</b>
Fair value of common share units issued	18	18,751,118	4,687,780	2,180,309	-	-	-	6,868,089
Warrants issued for services				94,421				94,421
Stock-based compensation		-	-	-	41,016	-	-	41,016
Income (loss) for the period		-	-	-	-	-	(160,335)	(160,335)
<b>Balance, May 31, 2021 Restated</b>		<b>99,417,923</b>	<b>23,291,847</b>	<b>2,581,046</b>	<b>2,676,843</b>	<b>34,152</b>	<b>(22,830,416)</b>	<b>5,753,472</b>

	Note	Share Capital			Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
		Number of shares	Amount	Warrants				
			\$	\$	\$	\$	\$	\$
<b>Balance, February 28, 2022</b>		<b>103,068,110</b>	<b>25,001,140</b>	<b>2,246,111</b>	<b>4,146,322</b>	<b>15,518</b>	<b>(31,157,530)</b>	<b>251,561</b>
Fair value of common share units issued	12	506,157	+99,940	51,907	-	-	-	151,847
Common shares to be issued		-	(6,347)	-	-	-	-	(6,347)
Stock-based compensation		-	-	-	284,007	-	-	284,007
Loss for the period		-	-	-	-	421	(1,008,439)	(1,008,018)
<b>Balance, May 31, 2022</b>		<b>103,574,267</b>	<b>25,094,733</b>	<b>2,298,018</b>	<b>4,430,329</b>	<b>15,939</b>	<b>(32,165,969)</b>	<b>(326,950)</b>

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**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
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(Expressed in Canadian dollars)

	<b>Three months ended May 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
		<b>Restated – Note 16</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Loss for the period	(1,008,439)	(160,335)
Items not affecting cash		
Stock-based compensation	284,006	41,016
Depreciation	115,592	152,496
Interest	13,421	33,724
	(595,420)	66,991
Changes in non-cash operating working capital		
Amounts receivable	25,902	(173,367)
Inventory	(52,671)	(42,562)
Prepaid expenses	15,361	(101,153)
Accounts payable and accrued liabilities	357,734	(549,905)
Deferred revenue	-	(878,785)
	(249,094)	(1,678,781)
<b>Investing activities</b>		
Purchase of property and equipment	-	(488)
	-	(488)
<b>Financing activities</b>		
Change to amount due to a related party	163,000	(20,000)
Payment on lease	(88,017)	(69,292)
Private placement of common shares	93,593	-
Issuance of warrants	51,907	-
Acquisition of Consolidated Craft Brands	-	2,246,189
	220,483	2,156,897
<b>Net increase (decrease) in cash</b>	<b>(28,611)</b>	<b>477,628</b>
<b>Cash, beginning of period</b>	<b>34,442</b>	<b>70,262</b>
Currency translation adjustment	(871)	-
<b>Cash, end of period</b>	<b>4,960</b>	<b>547,890</b>
<b>Supplementary information</b>		
Interest paid	26,926	33,724

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**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
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## **1. NATURE OF OPERATIONS and CONTINUANCE OF BUSINESS**

### **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**

These condensed consolidated interim financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge liabilities and commitments in the normal course of operations. Different measures of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon the Company's ability to raise equity capital, obtain debt financing and to attain profitable operations to generate funds to meet current and future obligations.

During the three months ended May 31 2022, the Company reported a net loss of \$1,008,439 (May 31 2021 – restated net loss of \$160,335). As at May 31, 2022 the Company had a working capital deficiency of \$2,381,444 (February 28, 2022 - \$ 1,838,245).

### **Covid-19**

The outbreak of the novel strain of coronavirus 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 remains unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

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

These consolidated interim 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.

## **2. BASIS OF PRESENTATION**

These condensed consolidated interim financial statements were approved and authorized for issue by the Directors of the Company on January 23, 2023.

### **Statement of Compliance**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International



**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
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Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”). These condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company’s February 28, 2022 audited financial statements.

The notes presented in these condensed consolidated interim financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in the annual audited consolidated financial statements; thus, these condensed consolidated interim financial statements are referred to as condensed. It is therefore recommended that these condensed consolidated interim financial statements be read in conjunction with the Company’s February 28, 2022 audited financial statements.

### **Foreign currencies**

These condensed consolidated interim financial statements are presented in Canadian dollars, which is also the functional currency of the Company. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

### **Basis of presentation and consolidation**

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value explained in the accounting policies set out in Note 4.

These condensed consolidated interim financial statements include accounts of the Company and its wholly owned subsidiaries, Consolidated Consumer Brands Inc, and RDT Therapeutics Inc. Amounts reflected prior to March 19, 2021, the acquisition and amalgamation date of Consolidated Consumer Brands Inc, include only the accounts of Rapid Dose Therapeutics Corp and RDT Therapeutics Inc. Inter-company transactions and balances are eliminated upon consolidation.

Subsidiaries are corporations in which the Company is able to control the operating, investing and financing activities and policies, which is the authority usually connected with holding majority voting rights. The consolidated financial statements include the accounts of the Company and its controlled entities from the date on which control was acquired. The subsidiaries use the same reporting period and the same accounting policies as the Company.

### **3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amount of expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**Share-based payments**

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of options and warrants in order to calculate share-based payments expense and the fair value of agent warrants. The Black-Scholes Option Pricing Model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control.

The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense.

**Revenue recognition**

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product to a customer. The transfer of control is considered to have occurred when the Company has transferred physical possession of the asset and the Company has a present right to payment for the asset.

**Cash generating units and impairment of non-financial assets**

Judgment is required to assess the Company's determination of cash generating units ("CGU") for the purpose of impairment testing. The process to calculate the recoverable amount of a cash generating unit requires use of valuation methods such as the discounted cash flow method which uses assumptions of key variables including future cash flows, discount rate and terminal growth rates.

**Financial instruments**

The fair values of financial instruments are estimated based upon market and third-party inputs. These estimates are subject to change with fluctuations in commodity prices, interest rates, foreign currency exchange rates and estimates of non-performance risk.

**Deferred tax assets and liabilities**

The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

**Useful life of 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.

**Rapid Dose Therapeutics Corp.**  
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**For the three months ended May 31, 2022 and 2021**  
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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%

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **Recent accounting pronouncements**

The adoption of the following standards and interpretations are not expected to have a material effect on the Company's future results and financial position:

##### **Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)**

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). These amendments are effective for reporting periods beginning on or after January 1, 2022.

##### **Accounting standard issued but not yet effective**

##### **Classification of Liabilities as Current or Non-current (Amendments to IAS 1)**

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023. Certain other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
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**5. AMOUNTS RECEIVABLE**

	<b>May 31, 2022</b>	<b>February 28, 2022</b>
	<b>\$</b>	<b>\$</b>
Trade receivable	78,873	71,897
Government grants and HST receivable	78,005	110,883
	<u>156,878</u>	<u>182,780</u>

**6. INVENTORY**

	<b>May 31, 2022</b>	<b>February 28, 2022</b>
	<b>\$</b>	<b>\$</b>
Raw materials		102,561
Labels and packaging	68,888	79,271
Finished goods - Nutraceuticals	246,448	206,694
Inventory provision	(133,172)	(151,899)
	<u>289,298</u>	<u>236,627</u>

**7. PREPAID EXPENSES**

	<b>May 31, 2022</b>	<b>February 28, 2022</b>
	<b>\$</b>	<b>\$</b>
Prepaid insurance	43,381	54,588
Prepaid occupancy expense	38,144	29,339
Prepaid marketing costs	35,893	35,893
Deposit for inventory	27,587	40,546
	<u>145,005</u>	<u>160,366</u>

**8. RIGHT-OF-USE ASSET**

	<b>May 31, 2022</b>	<b>February 28, 2022</b>
Non-current		
Right-of-use asset	1,466,516	1,466,516
Accumulated depreciation	(937,971)	(865,847)
	<u>528,545</u>	<u>600,669</u>

For the 3 months ended May 31, 2022, the Company recorded depreciation on the right-of-use asset of \$72,124 (2021 - \$72,124)

**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
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**9. PROPERTY AND EQUIPMENT**

	Furniture and fixtures \$	R&D equipment \$	Portable building units \$	Computer hardware \$	Leaseholds \$	Processing equipment \$	Total \$
<b>Cost</b>							
February 28, 2022	61,893	306,003	431,859	199,636	246,618	1,824,062	3,070,071
May 31 2022	61,893	306,003	431,859	199,636	246,618	1,824,062	3,070,071
<b>Accumulated depreciation</b>							
February 28, 2022	35,426	100,742	114,691	123,461	146,354	696,074	1,216,748
Depreciation	1,608	5,001	2,275	5,257	1,317	29,004	44,461
May 31, 2022	37,034	105,743	116,966	128,718	147,671	725,078	1,261,209
<b>Net book value</b>							
February 28, 2022	26,467	205,261	317,168	76,175	100,264	1,127,988	1,853,323
May 31, 2022	24,859	200,260	314,893	70,918	98,947	1,098,984	1,808,862

**10. LOANS PAYABLE**

	May 31 2022	February 28 2022
	\$	\$
Working capital loan	500,000	500,000
	500,000	500,000

The working capital loan is secured by a promissory note registered under the Personal Property Securities Act, Ontario bearing interest at 12% per annum maturing on January 31, 2023.

**11. LEASE LIABILITY**

	May 31, 2022	February 28, 2022
	\$	\$
Balance, Beginning of period	673,550	959,204
Interest	12,973	66,414
Payments	(88,017)	(352,068)
Balance, end of the period	598,506	673,550
Current portion of lease liability	315,593	309,364
Non-current prior of lease liability	282,913	364,186
	598,506	673,550

The remaining lease term is 1.84 years.

**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
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**12. SHARE CAPITAL**

**Authorized**

An unlimited number of common shares without par value

**Issued and outstanding**

103,574,267 common shares

**Share capital transactions**

On May 26, 2022 the Company closed a private placement financing which raised \$151,847 through the issuance of 506,157 common share units at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is entitled to acquire one common share at a price of \$0.4 per common share for twenty-four months from the date of issuance. Units were issued on the following dates:

- (i) On April 1, 2022, the Company issued 21,157 units at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is entitled to acquire one common share at a price of \$0.4 per common share until April 1, 2024.
- (ii) On April 14, 2022, the Company issued 66,667 units at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is entitled to acquire one common share at a price of \$0.4 per common share until April 13, 2024.
- (iii) On April 27, 2022, the Company issued 166,666 units at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is entitled to acquire one common share at a price of \$0.4 per common share until April 26, 2024.
- (iv) On April 29, 2022, the Company issued 166,666 units at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is entitled to acquire one common share at a price of \$0.4 per common share until April 28, 2024.
- (v) On April 29, 2022, the Company issued 85,000 units at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is entitled to acquire one common share at a price of \$0.4 per common share until April 28, 2024.

**13. WARRANT RESERVE**

	<b>Weighted average exercise price</b>	<b>Number of warrants</b>	<b>Warrant reserve</b>
Balance, February 29, 2021		3,599,370	306,316
Issued	0.38	19,551,118	1,421,430
Exercised		(3,466,437)	(281,039)
Balance, February 28, 2022		19,684,051	1,446,707
Issued	0.40	506,157	51,907
Balance, May 31, 2022		20,190,208	1,498,614

**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
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The fair value of the warrants was calculated using the Black-Scholes pricing model with the following assumptions:

1) Date of Issue		April 1, 2022
Expiry date		April 1, 2024
Exercise price		\$ 0.4
Share Price		\$ 0.295
Risk-free interest rate		2.34%
Expected volatility based on historical volatility		113%
Expected life of warrants		2 years
Expected dividend yield		0%
Fair value		\$3,245
Fair value per warrant		\$ 0.153
2) Date of Issue	April 18, 2022	April 27, 2022
Expiry date	April 13, 2024	April 26, 2024
Exercise price	\$ 0.4	\$ 0.4
Share Price	\$0.32	\$0.33
Risk-free interest rate	2.43%	2.5%
Expected volatility based on historical volatility	112%	110%
Expected life of warrants	2 years	2 years
Expected dividend yield	0%	0%
Fair value	\$ 11,345	\$ 29,249
Fair value per warrant	\$0.17	\$0.175
3) Date of Issue	April 29, 2022	April 29, 2022
Expiry date	April 28, 2024	April 28, 2024
Exercise price	\$ 0.4	\$ 0.4
Share Price	\$ 0.3	\$ 0.3
Risk-free interest rate	2.63%	2.63%
Expected volatility based on historical volatility	110%	110%
Expected life of warrants	2 years	2 years
Expected dividend yield	0%	0%
Fair value	\$25,608	\$13,060
Fair value per warrant	\$0.154	\$0.154

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
0.400	506,157	April 1-30, 2024
<b>Total</b>	<b>20,190,208</b>	

**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
**(Unaudited)**  
(Expressed in Canadian dollars)

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

**14. OPTION 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.

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

	<b>Weighted average exercise price</b>	<b>Number of stock options</b>	<b>Option reserve</b>
Balance, February 29, 2020	0.82	3,986,000	2,635,827
Cancelled	0.82	(545,000)	-
Balance, February 28, 2021	0.82	3,441,000	2,635,827
Addition		7,290,000	2,271,180
Exercised		(183,750)	-
Cancelled		(266,250)	-
Balance, February 28, 2022		10,281,000	4,907,007
Cancelled		(935,000)	-
Balance, May 31 31, 2022		9,346,000	4,907,007

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**15. 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.

**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:

	<b>May 31, 2022</b>	<b>February 28, 2021</b>
	\$	\$
Promissory note, Interest at 12%, payable monthly, due March 1, 2023	150,000	150,000
Promissory note, non-interest bearing, due April 1, 2022 (i)	109,000	109,000
Promissory note, Interest at 12%, payable monthly, due April 1, 2023	163,000	-
	422,000	259,000

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



**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
**(Unaudited)**  
(Expressed in Canadian dollars)

---

Interest paid to related parties during the quarter ended May 31 2022 was \$Nil (2022-\$Nil).

**Compensation of key management personnel**

Key management personnel includes having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. Key management personnel comprise the directors, executive and non-executive and officers.

The remuneration of the key management personnel during the three months ended August 31, 2022 and 2021 were as follows:

	<b>August 31, 2022</b>	<b>August 31, 2021</b>
	\$	\$
Officers remuneration (i)	150,000	150,000
Stock-based compensation		213,041
	<u>200,377</u>	<u>382,209</u>

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Company's financial instruments consist of cash, trade and other receivables, accounts payables and accrued liabilities, and note payable. These financial instruments are exposed to certain risks, including credit risk, interest rate risk, liquidity risk and other market risk.

**Credit risk**

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk. The Company is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including cash and short term investments with banks and financial institutions and advances to suppliers.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed.

**Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

**(a) Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is held in an account with a major Canadian financial institution. The funds may be withdrawn at any time without penalty.

**(b) Foreign currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which purchases are denominated and the functional currency of the Company. The functional currency of the Company is the Canadian dollar. The currency in which purchase transactions are denominated is Israeli shekels. The Company does not currently hedge its currency risk and is therefore subject to gains or losses due to fluctuations in that currency.

**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
**(Unaudited)**  
(Expressed in Canadian dollars)

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(c) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices. The Company closely monitors individual equity movements to determine the appropriate course of action to be taken by the Company.

**17. CONTINGENT LIABILITIES**

From time to time, the Company and/or its subsidiary may become defendants in legal actions and the Company intends to defend itself vigorously against all legal claims. Management is not aware of any claims against the Company that could reasonably be expected to have a materially adverse impact on the Company's consolidated financial position, results of operations or the ability to carry on any of its business activities.

**18. RESTATEMENT**

**(i) Deferred Revenue**

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 agreement during the year.

The termination of the MSS agreement on May 3, 2021 resulted in the recognition of the previously deferred revenue arising from the original signing of the agreement in 2019. A reconciliation of the Company's previously reported balances with the restated balances are as follows:

	<b>As previously reported</b>	<b>Adjustment</b>	<b>As restated</b>
Sales for quarter ended May 31 2021	\$131,198	\$692,550	\$823,748

*Continued on page following*

**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
**(Unaudited)**  
(Expressed in Canadian dollars)

**Consolidated statement of financial position**

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

**Consolidated statement of loss and comprehensive loss**

	As previously	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)
<b>Net comprehensive loss</b>	<b>(2,247,025)</b>	<b>492,396</b>	<b>(1,754,629)</b>
<b>Loss per share</b>	<b>(0.03)</b>	<b>0.01</b>	<b>(0.02)</b>

**Consolidated statement of cash flow**

**Consolidated statement of cash flows**

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

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

On March 19, 2021, the Company acquired, through a share exchange of 20 million Units, 100% of the common shares of CCB, an early-stage company in the consumer-packaged brands industry focused on

**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
**(Unaudited)**  
(Expressed in Canadian dollars)

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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 Consolidated Craft Brands Inc. On December 31, 2021 the directors of CCB filed Articles of Amendment to change the name of the company to Consolidated Consumer Brands Inc.

The acquisition brought to the Company synergistic products, valuable relationships, various business partnerships and experienced management along with a research and development license and a license application in process which would allow for production of products complimentary to the Company's offerings. Thomas Bryson, President of 2544737 Ontario Limited, was retained by the Company as President of Rapid Dose to oversee the integration of CCB with RDT and to fully exploit the CCB assets under a one year of contract of employment.

The acquisition was accounted for as a Business Combination and is, therefore, subject to IFRS 3 "Business Combinations". The Company hired an investment banking firm to provide management and the Board with the purchase price allocation. The valuation was completed and delivered to RDT and its auditors during the first week of June 2021. The valuation report was used as the basis for recording the CCB transaction in the interim unaudited consolidated financial statements for the quarters ended May 31, 2022, August 31, 2022 and November 30, 2022 and as note disclosure in the audited consolidated financial statements as at February 28 2021.

RDT recorded and reported the transaction in their quarterly financial statements as at May 31, 2021, August 31, 2021 issued simultaneously with the audited financial for the year ended February 28, 2021. RDT again reported the transaction in accordance with the valuation report for the quarter ended November 30, 2021.

The table below sets out the purchase price and consideration transferred details as originally reported in the condensed consolidated interim financial statements and the restated amount presented in the consolidated financial statements as at February 28 2, 2022:

	<b>As originally reported:</b>	<b>As restated:</b>
<b>Fair Value of consideration transferred</b>	<b>\$</b>	<b>\$</b>
Fair Value Common Shares	3,492,583	4,687,780
Fair Value of Warrants	1,295,198	2,180,309
Settlement of pre-existing loan	-	(612,427)
Cash clawback	-	(29,778)
	4,787,781	6,225,883

**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
**(Unaudited)**  
(Expressed in Canadian dollars)

<b>Recognized amounts of identifiable net assets</b>	<b>\$</b>	<b>\$</b>
Cash	184,363	1,864,363
Loan receivable	600,000	-
Accounts receivable	100,300	100,300
Note receivable	50,000	-
Accrued interest receivable	12,427	-
Government receivable	29,928	29,928
Inventory	15,271	-
<b>Total current assets</b>	<b>2,672,289</b>	<b>1,994,591</b>
Property and equipment	146,451	146,451
License application in process	250,000	-
Research and development license	25,000	-
<b>Total non-current assets</b>	<b>421,451</b>	<b>146,451</b>
<b>Current liabilities</b>	<b>(35,631)</b>	<b>-</b>
<b>Goodwill on acquisition</b>	<b>1,729,672</b>	<b>4,084,041</b>
<b>Consideration transferred</b>	<b>4,787,781</b>	<b>6,225,883</b>

The differences between the quarterly and year end reporting arises primarily as a result of different assumption used in the calculation of fair value consideration transferred. The purchase price consideration determined by the Investment Bankers used the following assumption:

Since the purchase price consideration was both variable (because of the reduction arrangement) and to be issued over time, certain calculations were made to determine the Fair Value of the purchase consideration at the date of closing (“Valuation Date”). This included (a) reduction in Units (b) Fair Value of the Company’s shares to be released over the eight tranches and (c) Fair Value of Warrants to be released over the 8 tranches. Using that assumption, the Fair Value of the total consideration was determined to be \$4,78,7781 consisting of the Fair Value of the Company shares and the Fair Value of the Warrants. In determining the Fair Value of the Company’s shares, a discount was calculated to reflect the receipt of shares over time using the Black-Scholes Option Pricing Model (“BSM”). Under the BSM approach, the Fair Value of shares released from escrow is deemed to be equal to the share price less the cost of a put option for these same shares. The value of the put option represents the right to lock in the value of the RDT Shares at the Valuation Date. The Warrants are to be released in the same amounts as the shares. In determining the Fair Value of the Warrants, the same BSM inputs were applied as with the shares except for the risk-free rate (2 years to match the Warrant term) and the exercise price of \$0.375.

Since the value of the Warrants cannot be locked in at the Valuation Date, the Fair Value of the shares was estimated at each future grant date (each date of the eight tranche dates) using the same values calculated in the share valuation, to determine the Fair Value of the Warrants. The fair Value determined at each tranche date was discounted to the Valuation Date using the discount rate applied throughout the valuation process.

At year end, the underlying assumption was challenged on the basis that all of the value of the consideration was transferred to the CCB shareholders at the acquisition date of March 19, 2021 and not at the time of the eight tranches. The basis of calculation of the Purchase Price Consideration was amended accordingly to include inputs only at the acquisition date and not throughout the escrow period. The restated Purchase Price Consideration reflects the valuation of the shares and warrants issued on that date regardless of the timing of the release of the units to the shareholders.

**Claw back of escrowed shares**

Each Unit consisted of one Common Share and one share purchase Warrant. The Units were subject to an escrow arrangement whereby the Units were released in eight tranches over an eleven-month period from

**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
**(Unaudited)**  
(Expressed in Canadian dollars)

---

closing of the acquisition with the final 20% released at February 19, 2022. Each Warrant entitles the holder to acquire one Common Share at \$0.375 each expiring in March 2023.

The acquisition and escrow agreements allowed for a reduction of all, or a portion of, the number of Units to be released in the final escrow release, upon the occurrence of certain defined events detailed in the Acquisition Agreement.

As a result, on the final escrow release at February 19, 2022, 1,248,882 units were not released from escrow in accordance with the terms of the agreements which provided RDT with the right to claw back units on a pro rata shareholder by shareholder basis if the total amount of the cash and cash equivalents at closing was less than \$3,000,000.

#### **Impairment of Goodwill**

The acquisition consisted of cash, capital equipment, intellectual property and brands. The President of CCB was retained by the Company to commercialize the items from CBB. The President of CCB contract was not renewed at end of term.

At the end of each quarterly reporting period, the Company assesses whether there were events or changes in circumstances that would indicate that a cash generating unit (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 is monitored at company-wide CGU level. 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 a business combination were allocated to the cash-generating units to which they related. The Company has determined that there is only one CGU at the Company level. As a result of impairment testing performed at February 28, 2022, the Company determined an impairment loss of \$4,084,741, representing the difference of the amount determined through Value in Use and the carrying value of the assets.

## **19. SUBSEQUENT EVENTS**

On July 4, 2022, the Company obtained short term working capital financing of \$250,000 from a private lender, with interest payable monthly at 12%, 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.

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

On August 8, 2022, the Company issued unsecured Convertible Notes amounting to \$230,000 in a first tranche of its previously announced private placement financing (the "Financing").

230 Units were purchased for \$1,000 per unit. Each Unit includes 100 warrants for a total of 23,000 Warrants issued. Each Warrant may be exercised for one Common Share at a price of \$0.40 per Common Share for a term of 24 months from the closing date.

The Company obtained private loans to assist with financing operations amounting to \$310,000 during the period September 16, 2022, to January 31, 2023 as follows:

September 16, 2022, \$75,000

November 10, 2022, \$100,000

December 5, 2022, \$135,000

The loans are unsecured, due on demand bearing interest at twelve percent (12%) per annum, payable annually.

**Rapid Dose Therapeutics Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended May 31, 2022 and 2021**  
**(Unaudited)**  
(Expressed in Canadian dollars)

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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.