



**Rapid Dose Therapeutics Corp.**

**Consolidated Financial Statements**

**For the years ended February 28, 2023 and 2022**

**(expressed in Canadian dollars, unless otherwise noted)**

## 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**



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Chartered Professional Accountants  
Licensed Public Accountants  
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## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Rapid Dose Therapeutics Corp.

#### *Opinion*

We have audited the consolidated financial statements of Rapid Dose Therapeutics Corp. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at February 28, 2023, the consolidated statements of loss and comprehensive loss, changes in shareholders' (deficit) equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### *Basis for Opinion*

We conducted our audit 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 audit 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.

#### *Emphasis of Matter – Material Uncertainty Related to Going Concern*

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended February 28, 2023 and had a working capital deficit and an accumulated deficit at that date. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist 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.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Emphasis of Matter – Material Uncertainty Related to Going Concern* section of our report, we have determined there are no other key audit matters to communicate in our report.

(continues)



***Independent Auditor's Report to the Shareholders of Rapid Dose Therapeutics Corp. (continued)***

***Other Matter***

The consolidated financial statements of the Company for the year ended February 28, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on January 27, 2023.

***Other Information***

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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 audit 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 audit 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, 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 IFRS, 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.

*(continues)*



**Independent Auditor's Report to the Shareholders of Rapid Dose Therapeutics Corp. (continued)**

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)***

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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.

*(continues)*



**Independent Auditor's Report to the Shareholders of Rapid Dose Therapeutics Corp. (continued)**

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)***

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sameer Parekh.

Richmond Hill, Canada  
June 28, 2023

CHARTERED PROFESSIONAL ACCOUNTANTS  
Authorized to practice public accounting by the  
Chartered Professional Accountants of Ontario

**Rapid Dose Therapeutics Corp.**  
**Consolidated Statements of Financial Position**  
**As at February 28, 2023 and 2022**  
(Expressed in Canadian dollars)

		February 28, 2023	February 28, 2022
	Notes	\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		27,587	34,442
Amounts receivable	5	146,025	182,780
Inventory	6	145,052	236,627
Prepaid expenses and deposits	7	101,541	160,366
		420,205	614,215
<b>Non-current</b>			
Right-of-use asset	8	312,173	600,669
Property and equipment	9	1,514,375	1,853,323
		<b>2,246,753</b>	<b>3,068,207</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		2,780,415	1,360,752
Due to a related party	10	512,000	259,000
Loans payable	11	1,060,000	500,000
Deferred revenue	13	13,299	23,344
Current portion of lease liability	14	335,041	309,364
		4,700,755	2,452,460
<b>Non-current</b>			
Convertible notes	12	186,957	-
Lease liability	14	29,145	364,186
		<b>4,916,857</b>	<b>2,816,646</b>
<b>Shareholders' (deficit) equity</b>			
Share capital	15	25,128,471	25,001,140
Contributed surplus	16	4,853,253	4,146,322
Warrant reserve	17	2,299,675	2,246,111
Accumulated other comprehensive income		16,052	15,518
Accumulated deficit		(34,967,555)	(31,157,530)
		(2,670,104)	251,561
		<b>2,246,753</b>	<b>3,068,207</b>

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

**Nature of operations and going concern** 1  
**Subsequent events** 25

Approved on behalf of the board of directors:

Mark Upsdell  
Director

John McKimm  
Director



**Rapid Dose Therapeutics Corp**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the years ended February 28, 2023 and 2022**  
(Expressed in Canadian dollars)

		February 28, 2023	February 28, 2022
	Notes	\$	\$
<b>Revenue</b>			
Sales	18	718,298	1,751,916
Cost of revenue	18	345,894	407,119
<b>Gross profit</b>	18	<b>372,404</b>	<b>1,344,797</b>
<b>Expenses</b>			
Personnel		1,390,799	1,589,575
Stock-based compensation	16	706,931	1,533,122
General and administrative		418,832	667,752
Professional fees		435,201	435,019
Sales and marketing		228,471	296,092
Research and development		92,885	359,290
Provision for expected credit losses	5	15,616	-
Depreciation	8 & 9	627,444	765,807
Interest		264,640	133,481
		<b>4,180,819</b>	<b>5,780,138</b>
<b>Loss from operations</b>		<b>(3,808,415)</b>	<b>(4,435,341)</b>
<b>Non-operating expenses</b>			
Foreign exchange (loss) gain		(1,610)	23,915
Interest income		-	363
Impairment	20	-	(4,084,842)
Other income		-	8,456
<b>Net loss before other comprehensive loss</b>		<b>(3,810,025)</b>	<b>(8,487,449)</b>
Currency translation adjustment		534	(18,634)
<b>Net comprehensive loss</b>		<b>(3,809,491)</b>	<b>(8,506,083)</b>
<b>Net loss per common share-basic and diluted</b>		<b>(0.04)</b>	<b>(0.08)</b>
<b>Weighted average number of common shares-basic and diluted</b>		<b>103,416,180</b>	<b>100,216,232</b>

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

**Rapid Dose Therapeutics Corp**  
**Consolidated Statements of Changes in Shareholders' (Deficit) Equity**  
**For the years ended February 28, 2023 and 2022**  
(Expressed in Canadian dollars)

	Note	Share Capital No. of shares	Share Capital Amount	Warrant Reserve	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
			\$	\$	\$	\$	\$	\$
<b>Balance, February 28, 2021</b>		<b>80,666,805</b>	<b>18,604,067</b>	<b>306,316</b>	<b>2,635,827</b>	<b>34,152</b>	<b>(22,670,081)</b>	<b>(1,089,719)</b>
Units issued for the acquisition		18,751,118	4,687,780	2,180,309	-	-	-	6,868,089
Warrants issued for services	17	-	-	163,136	-	-	-	163,136
Warrants exercised	17	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
Net comprehensive loss		-	-	-	-	(18,634)	(8,487,449)	(8,506,083)
<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>
Units issued on private placement	15	506,157	100,923	50,924	-	-	-	151,847
Stock-based compensation	16	-	-	-	706,931	-	-	706,931
Fair value of shares and warrants on issue of convertible notes	15 & 17	-	30,211	3,021	-	-	-	33,232
Convertible notes issue costs	12	-	(3,803)	(381)	-	-	-	(4,184)
Net comprehensive loss		-	-	-	-	534	(3,810,025)	(3,809,491)
<b>Balance, February 28, 2023</b>		<b>103,574,267</b>	<b>25,128,471</b>	<b>2,299,675</b>	<b>4,853,253</b>	<b>16,052</b>	<b>(34,967,555)</b>	<b>(2,670,104)</b>

*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, 2023 and 2022**  
(Expressed in Canadian dollars)

	Notes	February 28, 2023	February 28, 2022
		\$	\$
<b>Cash provided by (used in)</b>			
<b>Operating activities</b>			
Net loss before other comprehensive loss		(3,810,025)	(8,487,449)
Items not affecting cash			
Stock-based compensation	15 & 16	706,931	1,696,260
Depreciation	8 & 9	627,444	765,807
Inventory provision	6	13,000	136,421
Provision for expected credit losses	5	15,616	-
Accretion expense	12	14,960	-
Accrued interest		106,015	12,427
Impairment		-	4,084,740
		(2,326,059)	(1,791,794)
Changes in non-cash operating working capital			
Amounts receivable		21,139	202,643
Inventory		78,575	(39,651)
Prepaid expenses and deposits		58,825	(21,583)
Accounts payable and accrued liabilities		1,313,648	(470,359)
Deferred revenue		(10,045)	(878,785)
		(863,917)	(2,999,529)
<b>Investing activities</b>			
Purchase of property and equipment		-	(40,356)
Disposal of property and equipment		-	1,198
Acquisition of CCB		-	1,894,141
		-	1,854,983
<b>Financing activities</b>			
Due to a related party	10	253,000	130,000
Loans payable		560,000	-
Payment on lease, net of interest	14	(309,364)	(285,654)
Issuance of convertible notes, net of issuance costs	12	201,045	-
Issuance of units	15	151,847	-
Exercise of warrants		-	1,238,916
Exercise of options		-	44,100
		856,528	1,127,362
<b>Net decrease in cash</b>		(7,389)	(17,184)
<b>Cash, beginning of year</b>		34,442	70,262
Currency translation adjustment		534	(18,636)
<b>Cash, end of year</b>		27,587	34,442
<b>Supplementary information</b>			
Interest paid		82,928	66,414
Common shares issued on CCB acquisition		-	4,687,780
Warrants issued on CCB acquisition		-	2,180,309
Debt extinguished on CCB Acquisition		-	612,427

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

**Rapid Dose Therapeutics Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended February 28, 2023 and 2022**  
(Expressed in Canadian dollars)

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**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 in Canada 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. As at February 28, 2023, the Company recorded a net comprehensive loss of \$3,809,491 (2022 - \$8,506,083), a working capital deficiency of \$4,280,550 (2022- \$1,838,245) and an accumulated deficit of \$34,967,555 (2022 – 31,157,530). 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 debt and equity financing (Note 25), however, there can be no assurance that additional financing will be available.

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.

**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 June 28, 2023.

***Basis of measurement***

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

**Rapid Dose Therapeutics Corp.**  
**Notes to the Consolidated Financial Statements**  
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(Expressed in Canadian dollars)

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***Functional and presentation currency***

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its Canadian subsidiary, Consolidated Consumer Brands Inc. (“CCB”). The US dollar is the functional currency of the Company's US subsidiary, RDT Therapeutics Inc. The GBP is the functional currency of the Company's UK subsidiary, Rapid Dose Therapeutics (UK) Limited. All the Company's subsidiaries were inactive during the year ended February 28, 2023.

**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.

**Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Rapid Dose Solutions Inc., RDT Therapeutics Inc., Rapid Dose Therapeutics (UK) Limited and Consolidated Consumer 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 consolidated 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.

**Rapid Dose Therapeutics Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended February 28, 2023 and 2022**  
(Expressed in Canadian dollars)

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*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*

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*

Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

*Impairment of long-lived assets*

Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. For the purposes of measuring recoverable values, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable value is the greater of an asset's fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. An impairment loss is recognized for the value by which the asset's carrying value exceeds its recoverable value.

*Provisions*

Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the consolidated financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time.

**Rapid Dose Therapeutics Corp.**  
**Notes to the Consolidated Financial Statements**  
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(Expressed in Canadian dollars)

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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.

*Fair value of share-based payments and warrants*

Management uses the Black-Scholes option-pricing model to calculate the fair value of share-based payments and warrants. Management considers factors that knowledgeable, willing market participants would consider when selecting the appropriate valuation model to apply. Use of this method requires management to make assumptions and estimates about the share price on the measurement date, expected useful life of the instruments, expected dividends, the risk-free rate (based on government bonds), the expected volatility of the Company's share price (based on weighted average historical volatility of comparable companies adjusted for changes expected due to publicly available information) and the probabilities of certain events occurring. In making these assumptions and estimates, management relies on historical market data. The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of these instruments. The fair value reported may not represent the transaction value if these options or warrants were exercised/exchanged at any point in time.

*Expected credit losses (ECL)*

ECLs are estimated for trade and other receivables based on historical experience and forecasted economic conditions, taking into considerations of a range of factors, including the age of the receivables and the creditworthiness of the counterparties. Determining the recoverability of an account involves estimates and assumptions, changes in which could result in different results.

*Deferred income taxes*

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

*Lease liabilities*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Company has several lease contracts that include extension options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. The Company included the renewal period as part of the lease term for leases of office and laboratory because there will be a significant negative effect on operations if a replacement asset is not readily available.

When the Company recognizes a lease, the future lease payments are discounted using the Company's incremental borrowing rate. This significant estimate impacts the carrying amount of the lease liabilities and the interest expense recorded on the consolidated statements of loss and comprehensive loss.

*Income taxes*

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities.

**Rapid Dose Therapeutics Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended February 28, 2023 and 2022**  
(Expressed in Canadian dollars)

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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***

*Recognition and Initial Measurement*

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

*Classification and Subsequent Measurement*

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost would comprise of cash, trade receivables and other receivables.
- FVTOCI - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at FVTOCI. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. The Company does not hold any financial assets measured at FVTOCI.
- FVTPL - Assets that do not meet the criteria to be measured at amortized cost, or FVTOCI, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets measured at FVTPL.

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.



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***Financial Liabilities***

*Recognition and Initial Measurement*

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at FVTPL for which transaction costs are immediately recorded in the consolidated statement of loss and comprehensive loss. Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

*Classification and subsequent measurement*

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in the consolidated statement of loss and comprehensive loss.

*Derecognition of financial liabilities*

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 instruments.

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Cash and cash equivalents	Amortized cost
Amounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to a related party	Amortized cost
Loans payable	Amortized cost
Convertible instruments	Amortized cost
Lease liabilities	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 statements 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 included in shareholders' (deficit) equity.

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**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and cash on deposit with original maturity of 90 days or less, net of cheques issued and outstanding at the reporting date.

**Inventory**

Inventory consists of raw materials, labels and packaging and finished goods. 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 consolidated statements of loss and comprehensive 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 lower of the lease term and useful life. For all other property and equipment, depreciation is calculated using the declining balance method using the following annual rates:

Processing equipment	20%
Research & development equipment	20%
Portable building units	10%
Computer hardware	20%
Leaseholds	Lower of the lease term and useful life
Furniture and fixtures	20%

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**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 consolidated statements of loss and comprehensive 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.

**Compound financial instruments**

Compound financial instruments issued by the Company comprise units that consist of unsecured convertible notes and share purchase units, consisting of common shares and warrants. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, which consists of the conversion feature related to the convertible notes and the share purchase warrants, is recognized as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

The equity component is allocated to the conversion feature and the share purchase warrants based on their relative fair values. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Upon conversion, the liability component and conversion feature are reclassified to share capital.

In cases of extinguishment of the convertible debt before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Company allocates the consideration paid and the transaction costs for the repurchase or redemption to the liability and equity components at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the original proceeds that were received by the Company at the time of initial recognition. Once the allocation of the consideration is made, any resulting gain or loss relating to the liability component is recognized in consolidated statements of loss and comprehensive loss, and the amount of consideration relating to the equity component is recognized in equity.

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**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, (b) white label manufacturing, (c) licencing under managed strip service agreements ("MSSA") and (d) service contracts. 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 or product 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. As at February 28, 2022, the Company's MSSA agreements were terminated.

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*Service contracts*

The Company recognizes its revenue over time as it meets its milestones and performs its obligations as agreed upon in its contracts with its customers.

**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. A provision for legal costs in dispute of \$30,000 (February 28, 2022- \$Nil) has been provided for in the current year's consolidated financial statements.

**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, 2023, and 2022, outstanding stock options and warrants were anti-dilutive.

**Income tax**

Income tax comprises current and deferred tax. Income tax is recognized in consolidated statements of loss and comprehensive 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.

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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 or 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 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.

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**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 of eight percent (8%) at the inception of the lease. The Company did not enter any new lease agreements during the years ended February 28, 2023 and 2022.

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**4. Change in accounting standards**

**Standards, Amendments, and Interpretations Issued but not yet Adopted**

The IASB has issued several new standards and amendments that will be effective on various dates. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The impact on the Company is currently being assessed.

IAS 1 Presentation of Financial Statements was amended in January 2020 to address inconsistencies with how entities apply the standard over classification of current and non-current liabilities. The amendment serves to address whether, in the statement of financial position, debt and other liabilities with an uncertain settlement should be classified as current or non-current. This amendment is effective on January 1, 2024. Earlier adoption is permitted. The Company will adopt this amendment as of the effective date and is currently assessing the impact of adoption.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors was amended to clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy and clarifying that accounting estimates are monetary amounts in the consolidated financial statements that are subject to measurement uncertainty. The amendments are required to be applied for annual reports commencing on or after January 1, 2023. The Company is currently assessing the impact of these amendments on the disclosure of the accounting policies.

IAS 12 Deferred Tax Arising from a Single Transaction was amended to clarify that entities are required to recognize deferred taxes on transactions that on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The amendments are required to be applied for annual reporting periods beginning on or after January 1, 2023. The Company is currently assessing the impact of these amendments on the consolidated financial statements.

**5. Amounts receivable**

	<b>February 28, 2023</b>	<b>February 28, 2022</b>
	<b>\$</b>	<b>\$</b>
Trade receivable	75,886	71,897
Provision for expected credit losses	(15,616)	-
	60,270	71,897
HST receivable	76,738	110,883
Other receivables	9,017	-
	146,025	182,780



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**6. Inventory**

	February 28, 2023	February 28, 2022
	\$	\$
Raw materials	60,830	102,561
Labels and packaging	66,593	79,271
Finished goods	30,629	206,694
Inventory provision	(13,000)	(151,899)
	<u>145,052</u>	<u>236,627</u>

(i) During the year ended February 28, 2023, \$154,475 of inventories were expensed in cost of sales (2022 – \$102,268).

(ii) The inventory provision expense during the years ended February 28, 2023 and 2022 relates to the expectation of the inventories expiring before they can be sold.

**7. Prepaid expenses and deposits**

	February 28, 2023	February 28, 2022
	\$	\$
Prepaid insurance	55,132	54,588
Security deposit	29,339	29,339
Prepaid marketing costs	5,000	35,893
Deposit for inventory	12,070	40,546
	<u>101,541</u>	<u>160,366</u>

**8. Right-of-use asset**

	February 28, 2023	February 28, 2022
	\$	\$
Right-of-use asset	1,466,516	1,466,516
Accumulated depreciation	(1,154,343)	(865,847)
	<u>312,173</u>	<u>600,669</u>

Right-of-use asset represents a lease for office premises with a term ending on March 31, 2024. For the year ended February 28, 2023, the Company recorded depreciation on the right-of-use asset of \$288,496 (2022 - \$288,496).

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**9. Property and equipment**

	Furniture and fixtures	Research & Development equipment	Portable building units	Computer hardware	Leaseholds	Processing equipment	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
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	-	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
Additions/disposals	-	-	-	-	-	-	-
<b>February 28, 2023</b>	<b>61,893</b>	<b>306,003</b>	<b>431,859</b>	<b>199,636</b>	<b>246,618</b>	<b>1,824,062</b>	<b>3,070,071</b>
<b>Accumulated depreciation</b>							
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
Depreciation	5,293	41,052	31,717	15,235	20,053	225,598	338,948
<b>February 28, 2023</b>	<b>40,719</b>	<b>141,794</b>	<b>146,408</b>	<b>138,696</b>	<b>166,407</b>	<b>921,672</b>	<b>1,555,696</b>
<b>Net book value</b>							
February 28, 2022	26,467	205,261	317,168	76,175	100,264	1,127,988	1,853,323
<b>February 28, 2023</b>	<b>21,174</b>	<b>164,209</b>	<b>285,451</b>	<b>60,940</b>	<b>80,211</b>	<b>902,390</b>	<b>1,514,375</b>

**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.

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*Related party debt*

Due to a related party represents unsecured advances from an individual who is an officer and director of the Company.

	<b>February 28, 2023</b>	<b>February 28, 2022</b>
	\$	\$
Promissory note, interest at 12% per annum, payable monthly, due April 1, 2023	253,000	-
Promissory note, non- interest bearing, due April 1, 2023	109,000	109,000
Promissory note, interest at 12% per annum, payable monthly, due March 1, 2023	150,000	150,000
	<u>512,000</u>	<u>259,000</u>

On June 23, 2023, \$500,000 of the related party debt was rolled into convertible notes as set out in Note 25. The balance of the notes and the accrued interest owing is due on July 31, 2023.

*Compensation of key management personnel*

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

	<b>February 28, 2023</b>	<b>February 28, 2022</b>
Salaries	450,000	600,000
Stock-based compensation	218,379	611,916
	<u>668,379</u>	<u>1,211,916</u>

**11. Loans payable**

	<b>February 28, 2023</b>	<b>February 28, 2022</b>
	\$	\$
Working capital loan (i)	500,000	500,000
Working capital loan (ii)	250,000	-
Promissory note (iii)	310,000	-
	<u>1,060,000</u>	<u>500,000</u>

- (i) On November 29, 2021, the Company obtained a loan of \$500,000 from a company related to a shareholder of the Company. The loan, secured by a general security agreement, was to be repaid on January 31, 2022. On January 19, 2022, the loan maturity was extended to July 31, 2022. The loan was further extended on July 31, 2022, bearing interest at 12% per annum and is repayable on July 31, 2023.
- (ii) On July 4, 2022, the Company obtained short-term working capital financing of \$250,000 from a private lender, with interest payable monthly at twelve percent (12%) per annum, secured by 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.
- (iii) The unsecured working capital loans from private lenders, amounting to \$310,000, bearing annual interest at twelve percent (12%) have been structured for repayments on May 15, 2023 (\$50,000), and June 30, 2023 (\$260,000).

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**12. Convertible Notes**

The Company closed a private placement of unsecured convertible notes (each a “Note”) for gross proceeds of \$230,000 on August 8, 2022 (the “Offering”). The Company issued 230 units where each unit consist of \$1,000 principal amount of Notes and 100 common share purchase warrants (Note 17). The Notes, issued in increments of \$1,000, bear interest at a rate of 12% per annum, have a term of twenty-four (24) months from the date of issue and are convertible into common shares at a conversion price of \$0.40 per share. Each Warrant is exercisable into one Common Share of the Company at an exercise price of \$0.40 per Common Share for a period of twenty-four (24) months from the date of issuance of the Notes. Securities issued pursuant to the Offering are subject to a statutory hold period lasting four (4) months and a day after the issuance of the securities. The Company paid issuance costs of \$28,955, of which \$4,184 was allocated to the equity component of the issuances.

The Notes bear Interest from their date of issue at 10.0% per annum, payable quarterly in arrears. A further 2% per annum interest payment will be made annually in cash or in Common Shares as determined by the Company. During the second year of the two-year term of the Notes, the Company may prepay all or any portion of each of the Notes with an early termination fee payable to each noteholder of one percent (1%) per annum of the amount of the principal prepayment of the Notes.

The fair value of the warrants and conversion feature was estimated as \$3,021 and \$30,211 respectively, with reference to Black-Scholes pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 387.33%; (iii) risk-free rate of 3.23%; (iv) share price of \$0.085; (v) forfeiture rate of nil; (vi) expected life of two years.

The fair value of the liability component at issuance was calculated as the discounted cash flows for the 2022 convertible note assuming a market interest rate of 22%, which was the estimated rate without the equity component of the conversion feature. The effective interest rate of the 2022 unsecured convertible note after reflecting issuance costs was 20%.

As at February 28, 2023, the principal amount of \$230,000 is outstanding and due on August 8, 2024.

The following provides a summary of the application of the proceeds from the issue of convertible notes:

	Notes	Warrants	Conversion Feature	Total
	\$	\$	\$	\$
<b>Balance, February 28, 2022</b>	-	-	-	-
Issuance of convertible notes, net of issuance costs	171,997	3,021	30,211	<b>205,229</b>
Accretion of notes	14,960	-	-	<b>14,960</b>
<b>Balance, February 28, 2023</b>	<b>186,957</b>	<b>3,021</b>	<b>30,211</b>	<b>220,189</b>

**13. Deferred revenue**

Deferred revenue at February 28, 2023, amounting to \$13,299 (2022 - \$23,344) represents deposits paid by customers for orders to be shipped subsequent to the year end.

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**14. Lease Liability**

	<b>February 28, 2023</b>	<b>February 28, 2022</b>
	<b>\$</b>	<b>\$</b>
Balance, Beginning of year	673,550	959,204
Interest	42,704	66,414
Payments	(352,068)	(352,068)
Balance, end of year	364,186	673,550
Current	335,041	309,364
Non-current	29,145	364,186
	364,186	673,550

	<b>February 28, 2023</b>	<b>February 28, 2022</b>
	<b>\$</b>	<b>\$</b>
Less than one year	352,068	352,068
1 to 5 years	29,339	381,407
Gross lease liabilities	381,407	733,475
Less: interest on lease liabilities	17,221	59,925
Net lease liabilities	364,186	673,550

The remaining lease is 1.09 years at February 28, 2023 with payment due monthly in an amount of \$29,339.

**15. Share capital**

**Authorized**

An unlimited number of common shares without par value.

**Common Shares**

As at February 28, 2023, the Company had 103,574,267 common shares outstanding (2022 – 103,068,110 common shares outstanding)

**Issuance of shares**

The Company issued shares during the fiscal year ended February 28, 2023 as follows:

On April 28, 2022, the Company issued 506,157 units at a price of \$0.30 per unit with proceeds of \$151,847. 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 \$0.40 per common share until two years from the date of issue.

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The Company issued shares during the fiscal year ended February 28, 2022 as follows:

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.

During the year ended February 28, 2022, 3,466,437 warrants were exercised. The Company issued 3,466,437 common shares in exchange in accordance with the original subscription agreements.

During the year ended February 28, 2022, 183,750 options were exercised. The Company issued 183,750 common shares in exchange in accordance with the original subscription agreements.

**16. Contributed surplus**

The Company adopted a stock option plan under which it can grant options to directors, officers, employees, and consultants for up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of an option may not be less than the closing market price during the trading day immediately preceding the date of the grant of the option, less any applicable discount allowed by the Canadian Securities Exchange.

During the year ended February 28, 2023, there were no options issued.

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.

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On January 4, 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.

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	2,200,000	900,000	-	-

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

	Weighted Ave ("\$")	Number of Options	Contributed surplus
Balance, February 28, 2021	0.82	3,441,000	2,635,827
Addition	0.24 to 0.65	7,290,000	1,533,122
Exercised	0.24	(183,750)	(22,627)
Cancelled	0.24	(266,250)	-
Balance, February 28, 2022	0.54	10,281,000	4,146,322
Cancelled	0.24 to 0.82	(1,176,250)	-
Stock based compensation	0.24	-	706,931
<b>Balance, February 28, 2023</b>	<b>0.56</b>	<b>9,104,750</b>	<b>4,853,253</b>

A summary of the Company's outstanding stock options as at February 28, 2023 is presented below:

Exercise price	Number of stock options outstanding	Expiry date	Number of stock options exercisable
0.82	3,366,000	11-Mar-24	3,366,000
0.58	500,000	14-Dec-26	400,000
0.51	200,000	04-Jan-27	145,500
0.65	1,750,000	28-Jul-26	1,400,000
0.24	3,288,750	28-Mar-23 (i)	3,288,750
<b>Total</b>	<b>9,104,750</b>		<b>8,600,250</b>

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

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**17. Warrant reserve**

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

	<b>Weighted average price</b>	<b>Number of warrants</b>	<b>Warrant reserve</b>
Balance, February 28, 2021		3,599,370	306,616
Issued	0.375	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
Issued	0.40	506,157	50,924
Issued	0.40	23,000	3,021
Expired	0.40	(3,399,370)	-
<b>Balance, February 28, 2023</b>		<b>16,813,838</b>	<b>2,300,056</b>

On March 19, 2021, as part of the acquisition of CCB, 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

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.



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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

In April 2022, the Company issued 506,157 common share units consisting of one common share and one common share warrant. The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

Number of Warrants	506,157
Exercise price	\$ 0.40
Share Price	\$0.29
Risk-free interest rate	0.3%
Expected volatility based on historical volatility	110%
Expected life of warrants	2 years
Expected dividend yield	0%
Fair value	\$ 50,924

On August 8, 2022, the Company issued 23,000 warrants as part of the private placement on convertible notes (Note 12). The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following assumptions:

Number of Warrants	23,000
Exercise price	\$ 0.40
Share Price	\$0.085
Risk-free interest rate	3.23%
Expected volatility based on historical volatility	387%
Expected life of warrants	2 years
Expected dividend yield	0%
Fair value	\$3,021

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

Exercise price (\$)	Number of warrants outstanding and exercisable	Expiry date
0.375	15,884,681 (i)	March 19, 2023
0.240	200,000 (i)	March 29, 2023
0.330	200,000	January 18, 2024
0.40	506,157	April 30, 2024
0.40	23,000	August 4, 2024
<b>Total</b>	<b>16,813,838</b>	

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

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**18. 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 four primary sources of revenue:

- 1) Sales of health and wellness products consisting of nutraceuticals and infused soaps;
- 2) Sale of white label manufacturing consists of sales of oral thin film strips containing active ingredients under cannabis licensing;
- 3) Revenue derived from licensing under service agreements (MSSA);
- 4) Service contracts consists of consulting services provided for the application of active ingredients with the Company's oral thin film polymer formulation and processes.

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

	Year ended February 28, 2023			Year ended February 28, 2022		
	Revenue \$	Cost of Revenue \$	Gross Profit \$	Revenue \$	Cost of Revenue \$	Gross Profit \$
Nutraceuticals	53,279	52,495	784	18,295	18,042	253
Infused soaps	79,119	68,507	10,612	34,211	12,414	21,797
<b>Health and wellness</b>	<b>132,398</b>	<b>121,002</b>	<b>11,396</b>	<b>52,506</b>	<b>30,456</b>	<b>22,050</b>
White Label	450,379	153,968	296,411	917,179	306,691	610,488
Product Testing	13,931	10,568	3,363	58,925	50,975	7,950
<b>White Label</b>	<b>464,310</b>	<b>164,536</b>	<b>299,774</b>	<b>976,104</b>	<b>357,666</b>	<b>618,438</b>
MSSA contracts	-	-	-	692,549	-	692,549
Licensing and consulting	121,590	60,356	61,234	30,757	18,997	11,760
<b>Services revenue</b>	<b>121,590</b>	<b>60,356</b>	<b>61,234</b>	<b>723,306</b>	<b>18,997</b>	<b>704,309</b>
<b>Total</b>	<b>718,298</b>	<b>345,894</b>	<b>372,404</b>	<b>1,751,916</b>	<b>407,119</b>	<b>1,344,797</b>

*Customer Concentration:*

Two customers comprised 95% (2022 - 99%) of white label revenue and 65% (2022 - 55%) of total revenue during the year ended February 28, 2023.

One customer comprised 100% (2022 – Nil) of licensing and consulting revenue and 17% (2022 – Nil) of total revenue during the year ended February 28, 2023)

*Geographic Information:* All of the Company's operations and assets are in Canada.

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**19. Income taxes**

The reconciliation of the combined Canadian federal and provincial statutory rate of 26.5% (2022 - 26.5%) to the effective tax rate is as follows:

	<b>February 28, 2023</b>	<b>February 28, 2022</b>
	\$	\$
Net loss	(3,810,025)	(8,487,449)
Expected income tax recovery	(1,009,657)	(2,249,170)
Tax rate changes and other adjustments	(25,529)	(2,670)
Non-deductible expenses	209,443	1,483,310
Share issue costs booked directly to equity	5,697	-
Changes in tax benefits not recognized	820,046	768,530
Income tax (recovery)	-	-

**Deferred tax**

The following table summarizes the recognized components of deferred tax:

	<b>February 28, 2023</b>	<b>February 28, 2022</b>
	\$	\$
<b>Deferred tax assets</b>		
Lease obligation	96,509	159,180
Operating tax losses carried forward – Canada	197,518	13,284,860
<b>Deferred tax liabilities</b>		
Property, plant, and equipment	(211,301)	-
Right-of-use asset	(82,726)	(159,180)
Income tax (recovery)	-	-

**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:

	<b>February 28, 2023</b>	<b>February 28, 2022</b>
	\$	\$
Property and equipment	-	632,490
Right-of-use asset	82,726	72,880
Unrealized foreign exchange gains or losses	5,748	23,880
Share issuance costs	21,497	96,740
Operating tax losses carried forward – Canada	16,192,299	13,284,860
Operating tax losses carried forward – USA	864,750	864,750
	<b>17,167,020</b>	<b>14,795,600</b>

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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, 2023, 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
2043	2,907,439
	<b>16,192,299</b>

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## 20. 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. During the year ended February 28, 2023, there was no impairment.

The significant assumptions applied in the determination of the value in use amount as at February 28, 2022 and 2023, 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%

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**21. 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, amounts receivable, and accounts payable and accrued liabilities, due to a related party, loans payable, convertible notes and lease liabilities.*

The fair values of cash, amounts receivable and accounts payable and accrued liabilities, due to a related party, loans payable, convertible notes and lease liabilities at February 28, 2023 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.

**22. 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 consolidated 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 gross carrying amount of trade receivable reflects the maximum credit exposure and management's assessment of the credit risk. The Company is subject to a concentration risk in its trade receivable as two customer balances amount to 100% (2022 – 90%).

The following table provides information regarding the aged trade receivable:

	Current	31-60 days	61-90 days	91 days+
February 28, 2023	84%	0%	16%	0%

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*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 has 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 external financing (Notes 1 and 25) 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 as the financial liabilities bear a fixed interest rate; financial assets are short-term in nature and are not subject to interest rate risk.

### **23. Capital risk management**

The Company considers its capital to be shareholders' (deficit) equity which comprises share capital, warrant reserve, contributed surplus, accumulated other comprehensive income and accumulated 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.

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**24. Contingencies**

The Company is a party to certain legal proceedings from time-to-time incidental to the conduct of its business. These proceedings could result in fines, penalties, compensatory or treble damages, or non-monetary relief. The nature of legal proceedings is such that the Company cannot assure the outcome of any particular matter, and an unfavorable ruling or development could have a materially adverse effect on the consolidated financial position, results of operations and cash flows in the period in which a ruling or settlement occurs. However, based on information available to the Company's management to date, the Company's management does not expect that the outcome of any matter pending against the Company is likely to have a materially adverse effect on the Company's consolidated financial position, results of operations, cash flows or liquidity.

**25. Subsequent events**

**Working capital financing**

Subsequent to year end, the Company obtained unsecured short term working capital financing of \$149,004 from a private lender, with interest payable monthly at 12% per annum, evidenced by a promissory note. The loan was rolled into a convertible note on June 27, 2023 in conjunction with the private placement financing below

Subsequent to year end, the Company obtained unsecured short term working capital financing of \$238,500 from a director of the Company, with interest payable monthly at 12% per annum, evidenced by a promissory note. The loan was rolled into a convertible note on June 23, 2023 in conjunction with the private placement financing below.

**Private placement financing**

The Company announced a proposed \$5,000,000 private placement financing on June 13, 2023 to provide working capital and unsecured debt repayments. The proposed financing consists of up to 5,000,000 units (the "Units") at a price of \$1.00 per Unit. Each Unit will consist of \$1.00 principal amount of secured convertible notes (the "Notes") and five (5) common share purchase warrants of the Company (the "Warrants"). The Financing may close in one or more tranches.

The Notes have a maturity date of November 30, 2025 and bear interest from their date of issue at 12.0% per annum, calculated monthly, accrued, added to principal and payable quarterly in arrears in common shares of the Company ("Common Shares") at a price per share equal to the closing market price of the Common Shares on the last trading day of each calendar quarter. A loan initiation fee of 5% is payable in Common Shares at the end of the first calendar quarter following the applicable closing date at a price per share equal to the closing market price of the Common Shares on the last trading day of such calendar quarter.

The Notes are convertible, at the option of the holders at any time prior to maturity, into Common Shares at a conversion price of \$0.17 per Common Share. Each whole Warrant may be exercised for one Common Share at a price of \$0.14 per Common Share for the initial closing (the "Floor Price"). For any subsequent tranches closing under the Financing, the exercise price of the Warrants shall be the higher of the Floor Price and the closing market price of the Common Shares on the last trading day immediately prior to any such subsequent tranche closing. The Warrant term is equal to the maturity of the Notes, being November 30, 2025, notwithstanding the date on which the Warrants are issued. All securities issued on the Financing will be subject to a four month hold from the applicable date of closing.

**Rapid Dose Therapeutics Corp.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended February 28, 2023 and 2022**  
(Expressed in Canadian dollars)

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The Company may prepay the Notes in certain circumstances. During the period from June 30, 2024 to December 31, 2024, the Company shall be entitled to prepay all or any portion of each of the Notes with a prepayment fee payable to each noteholder of 3% of the amount of the principal prepayment of the Note. There shall be no prepayment fee if the Notes are prepaid after December 31, 2024.

The Notes will be secured pursuant to a general security agreement issued by the Company in favour of the various noteholders. The Company intends to use the proceeds from the Financing for working capital purposes and to repay debt. The first \$1,000,000 of proceeds raised pursuant to the Financing shall be used for general working capital purposes, with proceeds raised thereafter being used to first repay approximately \$750,000 principal of secured debt as well as any accrued and unpaid interest thereon.