Rapid Dose Therapeutics Corp.

Condensed Interim Consolidated Financial Statements

August 31, 2023

(Unaudited)

(Expressed in Canadian dollars)

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Notice of No Auditors Review of Condensed Interim Consolidated Financial Statements

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

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

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

Rapid Dose Therapeutics Corp.

Condensed Interim Consolidated Statements of Financial Position
As at August 31, 2023 and February 28, 2023
(Unaudited)
(Expressed in Canadian Dollars)

	Notes	August 31, 2023 $	February 28, 2023 $
Assets			
Current			
Cash and cash equivalents		203,426	27,587
Amounts receivable	5	154,959	146,025
Inventory	6	136,047	145,052
Prepaid expenses	7	62,584	101,541
		557,016	420,205
Non-current			
Right-of-use asset	8	167,925	312,173
Property and equipment	9	1,371,925	1,514,375
		2,096,866	**2,246,753**
Liabilities			
Current			
Accounts payable and accrued liabilities		3,359,868	2,780,415
Due to a related party	16	12,000	512,000
Loans payable	10	920,000	1,060,000
Convertible notes	11	100,746	-
Deferred revenue		-	13,299
Current portion of lease liability	12	200,003	335,041
		4,592,617	4,700,755
Non-current			
Lease liability	12	-	29,145
Convertible notes	11	1,343,226	186,957
		5,935,843	4,916,857
Shareholders' equity			
Common shares	13	25,149,378	25,128,471
Contributed surplus	14	4,853,253	4,853,253
Warrant reserve	15	2,407,461	2,299,675
Accumulated other comprehensive loss		16,045	16,052
Deficit		(36,265,121)	(34,967,555)
		(3,838,977)	(2,670,104)
		2,096,866	**2,246,753**

See accompanying notes

Going concern	**1**
Subsequent events	**20**

Rapid Dose Therapeutics Corp.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and six months ended August 31, 2023 and 2022
(Unaudited)
(Expressed in Canadian dollars)

	Notes	Three months ended August 31		Six months ended August 31	
		2023	2022	2023	2022
Revenue		$	$	$	$
Sales		353,171	133,554	593,958	195,320
Cost of sales		109,226	48,680	232,408	79,053
Gross profit		**243,945**	**84,874**	**361,550**	**116,267**
Expenses					
Personnel		414,689	418,643	740,053	804,685
Stock-based compensation		-	228,210	-	512,216
General and administrative		46,632	103,956	80,663	205,234
Professional fees		55,660	67,047	115,660	90,402
Sales and marketing		109,115	75,199	125,982	131,409
Research and development		1,941	(50,001)	24,021	(7,461)
Inventory provision		32,122		32,122	
Depreciation	9	140,187	115,592	286,699	231,184
Interest		174,284	40,749	253,916	71,482
		974,630	**999,394**	**1,659,116**	**2,039,151**
Net loss before other comprehensive loss		**(730,685)**	**(914,520)**	**(1,297,566)**	**(1,922,884)**
Currency translation adjustment		-	74	-	(347)
Comprehensive loss for the period		**(730,685)**	**(914,446)**	**(1,297,566)**	**(1,923,231)**
Net loss per share-basic and diluted		**(0.01)**	**(0.01)**	**(0.01)**	**(0.01)**
Weighted average number of shares outstanding -basic and diluted		**103,416,180**	**103,235,800**	**103,416,180**	**103,235,800**

See accompanying notes

Rapid Dose Therapeutics Corp.

Condensed Consolidated Interim Statements of Changes in Equity
For the six months ended August 31, 2023 and 2022
(Unaudited)
(Expressed in Canadian dollars)

		Share Capital		Reserves				
	Note	**Number of shares**	**Amount**	**Warrants**	**Contributed Surplus**	**Accumulated Other Comprehensive Loss**	**Deficit**	**Total**
			$	**$**	**$**	**$**	**$**	**$**
Balance, February 28 2022		**103,068,110**	**25,001,140**	**2,246,111**	**4,146,322**	**15,518**	**(31,157,530)**	**251,561**
Fair value of common share units issued		506,157	99,943	51,907	-	-	-	151,850
Common shares to be issued		-	(6,347)	-	-	-	-	(6,347)
FV of warrants issued with unsecured convertible notes, net of issue costs	11			29,048				29,048
Stock-based compensation		-	-	-	512,216	-	-	512,216
Loss for the period		-	-	-	-	347	(1,922,884)	(1,922,537)
Balance, August 31, 2022		**103,574,267**	**25,094,736**	**2,327,066**	**4,658,538**	**15,865**	**(33,080,414)**	**(984,209)**
		$	**$**	**$**	**$**	**$**	**$**	**$**
Balance, February 28, 2023		**103,574,267**	**25,128,471**	**2,299,675**	**4,853,253**	**16,052**	**(34,967,555)**	**(2,670,104)**
FV of equity issued with secured convertible notes, net of issue costs	11	-	20,907	107,786	-	-	-	128,693
Loss for the period		-	-	-	-	-	(1,297,566)	(1,297,566)
Balance, August 31, 2023		**103,574,267**	**25,149,378**	**2,407,461**	**4,853,253**	**16,052**	**(36,265,111)**	**(3,838,967)**

See accompanying notes

Rapid Dose Therapeutics Corp.
Condensed Consolidated Interim Statements of Cash Flows
For the three and six months ended August 31, 2023 and 2022
(Unaudited)
(Expressed in Canadian dollars)

		Three months ended August 31		Six months ended August 31	
		2023 $	2022 $	2023 $	2022 $
Cash provided by (used in)					
Operating activities					
Loss for the period		(730,685)	(914,520)	(1,297,566)	(1,922,884)
Items not affecting cash					
Stock-based compensation		-	228,209	-	512,215
Inventory provision		32,122	-	32,122	-
Accretion expense		16,086	-	23,036	-
Depreciation		140,187	115,592	286,699	231,184
Interest		27,803	3,462	34,546	2,544
		(514,487)	(567,257)	(921,163)	(1,176,941)
Changes in non-cash operating working capital					
Amounts receivable		(49,600)	48,675	(8,934)	39,155
Inventory		43,806	12,998	9,005	(39,673)
Prepaid expenses		13,248	(322)	38,957	15,039
Accounts payable and accrued liabilities		331,470	149,173	579,443	506,910
Deferred revenue		(7,663)	-	(13,299)	-
		(183,216)	(392,152)	(315,980)	(655,512)
Investing activities					
		-	-	-	-
Financing activities					
Rollover of amount due to a related party		(500,000)	-	(500,000)	163,000
Loans payable		(366,000)	250,000	(140,000)	250,000
Payment on lease		(82,909)	(76,558)	(177,517)	(151,602)
Issue of secured convertible notes		1,340,752	-	1,343,226	-
Debt issue costs		(66,699)	-	(66,699)	-
Issuance of unsecured convertible notes		-	230,000	-	230,000
Cancellation of unsecured convertible notes	11	(100,000)	-	(100,000)	-
Convertible notes conversion value		20,907	-	20,907	93,593
Issue of warrants with convertible notes		107,786	-	107,786	51,907
		353,837	403,442	491,819	636,898
Net change in cash		170,621	11,290	175,839	(18,614)
Cash, beginning of period		32,805	4,960	27,587	34,442
Currency translation adjustment		-	(75)	-	347
Cash, end of period		203,426	16,175	203,426	16,175
Supplementary information					
Interest paid		11,200	-	30,569	26,926

See accompanying notes

1. NATURE OF OPERATIONS and CONTINUANCE OF BUSINESS

Reporting entity

Rapid Dose Therapeutics Corp. (the "Company") is a publicly traded Canadian life sciences company that provides innovative, proprietary drug delivery technologies designed to improve outcomes and quality of lives.

The Company is incorporated under the laws of Ontario. Its head office and registered office is located at 1121 Walker's Line, Unit 3A, Burlington, Ontario, L7N 2G4.

Going concern

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

During the three and six months ended August 31 2023, the Company reported a comprehensive loss of $730,685 and $1,297,566 respectively (three and six months ended August 31, 2022 a comprehensive loss of $914,446 and $1,923,231 respectively). As at August 31, 2023 the Company had a working capital deficiency of $4,035,600 (February 28, 2023 deficiency of $4,280,550).

Covid-19

The outbreak of the novel strain of coronavirus has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak remains unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

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

These consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was deemed inappropriate. Such adjustments could be material.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements were approved and authorized for issue by the Directors of the Company on October 27 2023.

Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's February 28, 2023 audited financial statements.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in the annual audited consolidated financial statements; thus, these condensed interim consolidated financial statements are referred to as condensed. It is therefore recommended that these condensed consolidated interim financial statements be read in conjunction with the Company's February 28, 2023 audited financial statements.

Foreign currencies

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

Basis of presentation and consolidation

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value explained in the accounting policies set out in Note 3.

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

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

3. SIGNIFCANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Share-based payments

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

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

Revenue recognition

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

Cash-generating units and impairment of non-financial assets

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

Financial instruments

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Deferred tax assets and liabilities

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

Useful life of property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, and equipment. All other repair and maintenance costs are recognized in the consolidated statement of loss and comprehensive loss.

The initial cost of property and equipment comprises its purchase price or construction cost and any costs directly attributable to bringing it to a working condition for its intended use. The purchase price or construction cost is the aggregate amount of cash consideration paid and the fair value of any other consideration given to acquire the asset. Where an item of property and equipment is comprised of significant components with different useful lives, the components are accounted for as separate items of property and equipment.

For all property and equipment, depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation on leasehold improvements is calculated straight-line over the term of the lease. For all other property and equipment, depreciation is calculated using the declining balance method using the following annual rates:

Processing equipment	20%
Research and development equipment	20%
Portable building units	10%
Computer and office equipment	20%
Leasehold improvements	Over the term of the lease
Furniture and fixtures	20%

4. SIGNIFICANT ACCOUNTING POLICIES

Recent accounting pronouncements

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

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

(Expressed in Canadian dollars)

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

Accounting standard issued but not yet effective

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

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

5. AMOUNTS RECEIVABLE

	August 31, 2023	February 28, 2023
	$	$
Trade receivable	142,625	75,886
Provision for expected credit losses	-	(15,616)
	142,625	60,270
Government grants and HST receivable	3,117	76,738
Other receivables	9,217	9,017
	154,959	146,025

6. INVENTORY

	August 31, 2023	February 28, 2023
	$	$
Raw materials	37,998	60,830
Labels and packaging	104,723	66,593
Finished goods - Nutraceuticals	23,327	30,629
Inventory provision	(30,000)	(13,000)
	136,047	145,052

7. PREPAID EXPENSES

	August 31, 2023	February 28, 2023
	$	$
Prepaid insurance	24,740	54,588
Security deposit	1,963	29,339
Prepaid marketing costs	6,541	5,000
Deposit for inventory	29,339	12,070
	62,584	101,541

(Expressed in Canadian dollars)

8. RIGHT-OF-USE ASSET

	August 31, 2023	February 28, 2023
Non-current	$	$
Right-of-use asset	1,466,516	1,466,516
Accumulated depreciation	(1,298,591)	(1,154,343)
	167,925	312,173

For the six and three months ended August 31, 2023, the Company recorded depreciation on the right-of-use asset of $144,247 and $72,124, (six and three months ended August 2022 was $144,247 and $72,124).

9. PROPERTY AND EQUIPMENT

	Furniture and fixtures $	R&D equipment $	Portable building units $	Computer hardware $	Leaseholds $	Processing equipment $	Total $
Cost							
February 28, 2023	61,893	306,003	431,859	199,636	246,618	1,824,062	3,070,071
Additions/Disposals	-	-	-	-	-	-	-
August 31 2023	**61,893**	**306,003**	**431,859**	**199,636**	**246,618**	**1,824,062**	**3,070,071**
Accumulated depreciation							
February 28, 2023	40,719	141,794	146,408	138,696	166,407	921,672	1,555,696
Depreciation	2,064	1,635	14,094	1,597	30,693	92,366	142,450
August 31 2023	**42,784**	**143,429**	**160,502**	**140,293**	**197,100**	**1,014,038**	**1,698,146**
Net book value							
February 28, 2023	21,174	164,209	285,451	60,940	80,211	902,390	1,514,375
August 31 2023	**19,109**	**162,574**	**271,357**	**59,343**	**49,518**	**810,024**	**1,371,925**

(Expressed in Canadian dollars)

10. LOANS PAYABLE

		August 31 2023	February 28, 2023
Form of indebtedness	***Interest rate and terms***	***$***	***$***
Promissory note	12%, payable at maturity secured by a GSA, extended to November 30, 2023	500,000	500,000
Promissory note	12%, payable monthly secured by a GSA, extended to September 22, 2023	250,000	250,000
Advances	12%, unsecured, due on demand	170,000	310,000
		920,000	1,060,000

11. CONVERTIBLE NOTES

Unsecured convertible notes

Balance February 28, 2023	$186,957
Accretion expense	6,839
Rollover of unsecured convertible note to convertible secured note	(100,000)
Balance as at August 31, 2023	$100,746

On August 8, 2022, the Company issued units of unsecured convertible notes (the "Notes") in exchange of gross proceeds of $230,000, Each Unit is comprised of $1,000 principal amount and 100 common share purchase warrants (“Warrants”). Holders of the Notes may convert the principal amount into shares of the Company at a price of $0.40 per share, up to the maturity date of August 8, 2024 (the "Maturity Date"). The Notes bear an interest rate of 10% payable quarterly, in cash and 2% payable annually in or shares at the conversion rate, at the Company’s discretion.

The Conversion features, embedded warrants require a fixed number of shares to settle, therefore, they meet the criteria of fixed to fixed under IFRS, and hence classified as equity. Accordingly, the fair value of these were deducted from the gross proceeds and were accreted over the terms of the Note.

On July 22, 2023 a note for the principal amount of $100,000 was cancelled and re-issued as a secured convertible note.

Secured convertible notes

Proceeds from issue of secured convertible notes, July 21, 2023	$1,469,445
Value of equity in convertibility of notes	(135,446)
Accretion expense	9,247
Balance as at August 31, 2023	$1,343,226

On July 21, 2023, the Company issued units of secured convertible notes (the "Notes") for gross proceeds of $1,469,445 which consisted of cash proceeds of $300,000 and cancellation of existing unsecured notes and re-issuance as secured convertible notes. Each Unit is comprised of $1.00 principal amount and five (5) common share purchase warrants (“Warrants”). Holders of the Notes may convert the principal amount into shares of the Company at a price of $0.17 per share, up to the maturity date of November 30, 2025 (the "Maturity Date"). The Notes bear an interest rate of 12% payable quarterly, payable in common shares of the Company.

On July 21, 2023 7,347,225 warrants were issued with a maturity date of November 30, 2025. Each warrant may be converted into one common share at an exercise price of $0.14 per share.

In connection with the issuance of the Note, debt issuance fees of $73,472 were incurred. The debt issuance fees are payable in common shares in accordance with the subscription agreements. The debt issuance fees are directly attributable transaction costs and have been allocated to the liability, warrants and conversion feature components, in proportion to their initial carrying amounts.

The Conversion features and embedded warrants require a fixed number of shares to settle, therefore, they meet the criteria of fixed to fixed under IFRS, and hence classified as equity. Accordingly, the fair value of these were deducted from the gross proceeds and were accreted over the terms of the Note.

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 repaid after December 31, 2024.

The Notes are 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.

As part of the Financing, the Company settled $1,169,445 of unsecured debt through the issuance of the Notes and Warrants to various lenders to the Company, including two current directors, in satisfaction of such loan amounts.

Certain insiders of the Company participated in the Financing for an aggregate total of $816,371. Issuance of the Notes and Warrants to Mark Upsdell, Chief Executive Officer and a director of the Company, in the amount of $500,000 of Notes and 2,500,000 Warrants, and indirectly to John McKimm (via his holding company, Madison Partners Corporation), a director of the Company, in the amount of $316,371 of Notes and 1,581,855 Warrants, is a related party transaction within the meaning of Multilateral Instrument 61-101 (“MI 61-101”). The Company is relying on the exemptions from the valuation and minority shareholder approval requirements of MI 61-101 contained in Section 5.5(b) (Company is listed on the Canadian Securities Exchange) and Section 5.7(1)(a) (fair market value of the Financing insofar as it involves related parties does not exceed 25% of the Company’s market capitalization) in respect of such transaction. A resolution of the board of directors of the Company was passed to approve the Financing. There was no materially contrary view or abstention by any director.

(Expressed in Canadian dollars)

12. LEASE LIABILITY

	August 31, 2023	**February 28, 2023**
Balance, Beginning of period	364,186	673,550
Interest	11,851	42,704
Payments	(176,034)	(352,068)
Balance, end of the period	200,003	**364,186**
Current portion of lease liability	200,003	335,041
Non-current	-	29,145
Lease liability	**200,003**	**364,186**

The remaining lease term is 0.67 years.

13. SHARE CAPITAL

Authorized

An unlimited number of common shares without par value

Issued and outstanding

103,574,267 common shares

Share capital transactions

(i) On April 1, 2022, the Company issued 21,157 units at a price of $0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is entitled to acquire one common share at a price of $0.4 per common share until April 1, 2024.

(ii) On April 14, 2022, the Company issued 66,667 units at a price of $0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is entitled to acquire one common share at a price of $0.4 per common share until April 13, 2024.

(iii) On April 27, 2022, the Company issued 166,666 units at a price of $0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is entitled to acquire one common share at a price of $0.4 per common share until April 26, 2024.

(iv) On April 29, 2022, the Company issued 166,666 units at a price of $0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is entitled to acquire one common share at a price of $0.4 per common share until April 28, 2024.

(v) On April 29, 2022, the Company issued 85,000 units at a price of $0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is entitled to acquire one common share at a price of $0.4 per common share until April 28, 2024.

(Expressed in Canadian dollars)

14. CONTRIBUTED SURPLUS - OPTION RESERVE

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

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

	Number of stock options
Balance, February 28, 2023	9,104,750
Balance, August 31, 2023	5,350,000

	Weighted average exercise price	**Number of stock options**	**Option reserve**
Balance, February 29, 2020	0.82	3,986,000	2,635,827
Cancelled	0.82	(545,000)	-
Balance, February 28, 2021	0.82	3,441,000	2,635,827
Addition		7,290,000	2,271,180
Exercised		(183,750)	
Cancelled		(266,250)	
Balance, February 28, 2022		10,281,000	4,907,007
Cancelled		(925,000)	
Balance, August 31, 2022		9,356,000	4,907,007
Cancelled		(1,176,250)	-
Stock based compensation		-	706,931
Balance, February 29, 2023		9,104,750	4,853,253
Cancelled		(3,754,750)	-
August 31 2023		5,350,000	4,853,253

(Expressed in Canadian dollars)

A summary of the Company's outstanding stock options as at August 31, 2022 is presented below:

Exercise price	Number of stock options outstanding	Expiry date	Number of stock options exercisable
0.82	2,900,000	March 11, 2024	3,441,000
0.58	500,000	December 14, 2026	125,000
0.51	200,000	January 4, 2027	50,000
0.65	1,750,000	July 28, 2026	875,000
Total	**5,350,000**		**6,991,000**

15. WARRANT RESERVE

	Weighted average exercise price	Number of warrants	Warrant reserve
Balance, February 29, 2021		3,599,370	306,316
Issued	0.375	18,751,118	2,180,309
Exercised	0.35	(3,466,437)	(127,318)
Balance, February 28, 2022	0.37	19,684,051	2,246,111
Issued	0.40	506,157	51,907
Issued	0.40	23,000	29,048
Expired	0.40	(3,399,370)	-
Balance, February 28, 2023		16,813,838	2,299,675
Expired March 19, 2023	0.375	(15,884,681)	-
Expired March 29, 2023	0.24	(200,000)	-
Issued, July 24, 2023	0.14	7,347,225	107,786
Balance August 31, 2023		8,076,382	2,407,461

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

Date of Issue	April 1, 2022
Expiry date	April 1, 2024
Warrants Issued	21,157
Exercise price	$ 0.4
Share Price	$ 0.295
Risk-free interest rate	2.34%
Expected volatility based on historical volatility	113%
Expected life of warrants	2 years
Expected dividend yield	0%
Fair value	$3,245

(Expressed in Canadian dollars)

Fair value per warrant	$ 0.153

Date of Issue	**April 18, 2022**	**April 27, 2022**
Expiry date	April 13, 2024	April 26, 2024
Warrants Issued	66,667	166,666
Exercise price	$ 0.4	$ 0.4
Share Price	$0.32	$0.33
Risk-free interest rate	2.43%	2.5%
Expected volatility based on historical volatility	112%	110%
Expected life of warrants	2 years	2 years
Expected dividend yield	0%	0%
Fair value	$ 11,345	$ 29,249
Fair value per warrant	$0.17	$0.175

Date of Issue	**April 29, 2022**	**April 29, 2022**
Expiry date	April 28, 2024	April 28, 2024
Warrants Issued	166,666	85,000
Exercise price	$ 0.4	$ 0.4
Share Price	$ 0.3	$ 0.3
Risk-free interest rate	2.63%	2.63%
Expected volatility based on historical volatility	110%	110%
Expected life of warrants	2 years	2 years
Expected dividend yield	0%	0%
Fair value	$25,608	$13,060
Fair value per warrant	$0.154	$0.154

Expiry date	**August 8, 2024**	**November 30 2025**
Warrants Issued	23,000	7,347,225
Exercise price	$ 0.40	$ 0.14
Share Price	$0.085	$0.15
Risk-free interest rate	3.23%	4.65%
Expected volatility based on historical volatility	387%	200%
Expected life of warrants	2 years	2.36 years
Expected dividend yield	0%	0%
Fair value	$1,930	$977,181
Fair value per warrant	$0.084	$0.133

16. RELATED PARTY TRANSACTION

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.

(Expressed in Canadian dollars)

Related party debt

Due to a related party of $422,000 (February 28, 2022 - $259,000) represents advances from an individual who is an officer and director of The Company. The advances are secured by Promissory Notes with interest and maturity dates as follows:

	August 31, 2023	**February 28, 2022**
	$	**$**
Promissory note, non interest bearing, repayable on demand	12,000	512,000

On July 21, 2023 the director/officer exchanged $500,000 of notes for $500,000 of secured convertible debt as described in Note 11. Interest to July 21, 2023 amounting to $62,368 has been accrued and included under the heading Accounts payable and accrued liabilities.

As consideration for the exchange of the notes, the director/officer received 2,500,000 warrants which may be converted into 2,500,000 common shares at an exercise price of $0.14 expiring on November 30, 2035. In addition, the director/officer received a fee of five percent (5%) of the value of the notes paid in common shares on October 13, 2023 at the trading price of the shares of the Company at that date.

Compensation of key management personnel

Key management personnel includes those individuals having the authority and responsibility for planning, directing, and controlling the activities of the Company as a wh9ole. Key management personnel comprise the directors, executive and non-executive and officers.

The remuneration of the key management personnel during the six months ended August 31, 2023 and 2022 were as follows:

	2023	**2022**
	$	**$**
Salaries	225,000	225,000
Stock-based compensation	-	87,877
	225,000	312,877

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk
Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk. The Company is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including cash and short term investments with banks and financial institutions and advances to suppliers.
Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to

(Expressed in Canadian dollars)

meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed.

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

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

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

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

18. SEGMENTED INFORMATION

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

	Six months ended August 31 2023			Six months ended August 31 2022		
	Revenue	**Cost of Revenue**	**Gross Profit**	**Revenue**	**Cost of Revenue**	**Gross Profit**
	$	**$**	**$**	**$**	**$**	**$**
Health and wellness	25,940	20,182	5,758	77,612	35,611	42,001
White Label	296,237	92,014	204,223	113,108	41,181	71,927
Product Testing	11,040	7,017	4,023	4,600	2,261	2,339
White Label	307,277	99,031	208,246	117,708	43,442	74,266
Licensing & consulting	260,741	113,195	147,546	-	--	-
Services revenue	260,741	113,195	147,546	-	-	-
Total	593,958	232,408	361,550	195,320	79,053	116,267

(Expressed in Canadian dollars)

		Three months ended August 31 2023			Three months ended August 31 2022	
	Revenue	**Cost of Revenue**	**Gross Profit**	**Revenue**	**Cost of Revenue**	**Gross Profit**
	$	**$**	**$**	**$**	**$**	**$**
Health and wellness	9,433	9,917	(484)	65,830	22,831	42,999
White Label	198,357	40,659	157,698	64,964	23,588	41,376
Product Testing	6,440	5,950	490	2,760	2,261	499
White Label	204,797	46,609	158,188	67,724	25,849	41,875
Licensing & consulting	138,941	52,700	86,241	-	-	-
Services revenue	13,8241	52,700	86,241	-	-	-
Total	353,171	109,226	243,945	133,554	48,680	84,874

Customer Concentration:
Two customers comprised 95% (2022 - 99%) of white label revenue and 45% (2022 - 53%) of total revenue during the three month period year ended August 31, 2023.

One customer comprised 100% of licensing and consulting revenue during the three month period year ended May 31, 2023 (three month period year ended May 31, 2022 – Nil)

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

19. CONTINGENT LIABILITIES

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

20. SUBSEQUENT EVENTS

The portion of the Company's secured debt that was initially due on July 5, 2023 was acquired by Madison Partners Corporation on September 22, 2023. Madison Partners Corporation agreed to extend the Madison Debt until September 22, 2024 and in exchange the Company agreed to (i) issue 1,250,000 warrants with an exercise price of $0.14, for a one year term and (ii) pay a loan fee of $12,500 to Madison Partners Corporation which is payable in Common Shares at the end of the first calendar quarter following closing, with each such Common Share being issued at the closing market price of a Common Share on October 13, 2023. Interest on the Madison Debt is 12.0% per annum calculated monthly, compounded, accrued, added to the principal amount and payable quarterly in arrears on a calendar quarter basis until the Madison Debt is fully repaid. Interest is payable in Common Shares at the price per share equivalent to the closing market price of a Common Share on the last trading day immediately preceding the end of the relevant interest payment date.

Accordingly, the Company issued 132,397 Common Shares to Madison Partners Corporation at a deemed issue price of $0.10 per Common Share, being the closing market price of the Common Shares on the date of issuance in satisfaction of the aggregate of $13,239 loan fee and accrued interest owing on the Madison Debt.

On September 22, 2023, the Company closed on $310,000 in a second tranche of its previously announced private placement financing (the "Financing") bringing the total amount invested to $1,779,445. The Financing allowed for up to $5,000,000 of gross proceeds, consisting of up to 5,000,000 units (the "Units") at a price of $1.00 per Unit. Each Unit consists of $1.00 principal amount of secured convertible notes (the "Notes") and five (5) common share purchase warrants of the Company (the "Warrants"). On this second tranche closing of the Financing, 310,000 Units were purchased; and accordingly, the Company issued $310,000 principal amount of Notes and 1,550,000 Warrants.

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 Canadian Securities Exchange on the last trading day of each calendar quarter. A loan initiation fee of 5% was paid in Common Shares on October 13, 2023 as noted below,

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. Each whole Warrant that was issued on the first tranche closing on July 21, 2023 may be exercised for one Common Share at a price of $0.14 per Common Share (the "Floor Price"). For subsequent tranches closing under the Financing, the exercise price of the Warrants must be the higher of the Floor Price and the closing market price of the Common Shares on the Canadian Securities Exchange on the last trading day immediately prior to any such subsequent tranche closing. Accordingly, the Warrants issued on this second tranche closing have an exercise price of $0.14. The Warrant term is the same as the maturity of the Notes, being November 30, 2025, notwithstanding the date on which the Warrants are issued. All securities issued on the Financing are subject to a four month hold from the applicable date of closing.

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 Company issued 1,241,888 Common Shares to the holders of the Notes at a deemed issue price of $0.10 per Common Share, being the closing market price of the Common Shares on October 13, 2023, in satisfaction of the aggregate of $124,190 loan fee and accrued interest owing on the Notes.

On October 13, 2023, the Company also issued 132,397 Common Shares to Madison Partners Corporation in connection with the $250,000 of secured debt held by Madison Partners Corporation (the “Madison Debt”). Madison Partners Corporation is a holding company of John McKimm, a director of the Company.