Rapid Dose Therapeutics Corp.

Consolidated Financial Statements

For the years ended February 29, 2024, and February 28, 2023

(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. (the Company) are the responsibility of management and the 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**
**June 28, 2024**

Doug Hyland
**Interim Chief Financial Officer**
**June 28, 2024**

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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 statements of financial position as at February 29, 2024 and February 28, 2023, the consolidated statements of loss and comprehensive loss, changes in shareholders' deficit, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy and information (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 29, 2024 and February 28, 2023, and its consolidated financial performance and its consolidated cash flows for the years 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 29, 2024, and had a working capital deficiency 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 year. 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 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)*

***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.

SRCO Professional Corporation

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

Richmond Hill, Canada
June 28, 2024

**Rapid Dose Therapeutics Corp.**
**Consolidated Statements of Financial Position**
**As at February 29, 2024 and February 28, 2023**

(Expressed in Canadian dollars, unless otherwise indicated)

| | Notes | February 29, 2024 | February 28, 2023 |
|---|---|---|---|
| | | $ | $ |
| **Assets** | | | |
| **Current** | | | |
| Cash and cash equivalents | | 161,059 | 27,587 |
| Amounts receivable | 5 | 219,314 | 146,025 |
| Inventory | 6 | 132,468 | 145,052 |
| Prepaid expenses and deposits | 7 | 166,084 | 101,541 |
| | | 678,925 | 420,205 |
| **Non-current** | | | |
| Right-of-use asset | 8 | 23,677 | 312,173 |
| Property and equipment | 9 | 1,182,561 | 1,514,375 |
| | | **1,885,163** | **2,246,753** |
| **Liabilities** | | | |
| **Current** | | | |
| Accounts payable and accrued liabilities | 10 | 2,589,445 | 2,780,415 |
| Due to related parties | 11 | 206,288 | 512,000 |
| Loans payable | 12 | - | 1,060,000 |
| Unsecured convertible notes | 13 | 93,362 | 186,957 |
| Deferred revenue | | - | 13,299 |
| Current portion of lease liability | 14 | 29,144 | 335,041 |
| | | 2,918,239 | 4,877,712 |
| **Non-current** | | | |
| Secured convertible notes | 13 | 2,124,878 | - |
| Lease liability | 14 | - | 29,145 |
| | | **5,043,117** | **4,916,857** |
| **Shareholders' deficit** | | | |
| Share capital | 15 | 26,613,148 | 25,128,471 |
| Contributed surplus | 16 | 5,244,026 | 4,853,253 |
| Warrant reserve | 17 | 4,223,953 | 2,299,675 |
| Accumulated other comprehensive income | | 16,052 | 16,052 |
| Accumulated deficit | | (39,255,133) | (34,967,555) |
| | | (3,157,954) | (2,670,104) |
| | | **1,885,163** | **2,246,753** |

*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:

__________________________ Director

__________________________ Director

**Rapid Dose Therapeutics Corp**
**Consolidated Statements of Loss and Comprehensive Loss**
**For the years ended February 29, 2024 and February 28, 2023**
(Expressed in Canadian dollar, unless otherwise indicated)

| | Notes | February 29, 2024<br>$ | February 28, 2023<br>$ |
|---|---|---|---|
| **Revenue** | 18 | 1,020,424 | 718,298 |
| **Cost of revenue** | 18 | 457,015 | 345,894 |
| **Gross profit** | 18 | **563,409** | **372,404** |
| **Expenses** | | | |
| Personnel | 11 | 1,191,201 | 1,358,799 |
| Share-based compensation | 11, 16 | 162,249 | 706,931 |
| General and administrative | | 1,003,447 | 817,618 |
| Sales and marketing | | 241,697 | 283,886 |
| Research and development | | 427,798 | 92,885 |
| Provision for (recovery of) expected credit losses | 5 | (5,966) | 13,000 |
| Inventory provision | 6 | - | 15,616 |
| Depreciation and amortization | 8, 9 | 620,310 | 627,444 |
| Interest and accretion | 11, 12, 13, 14 | 661,454 | 264,640 |
| | | **4,302,190** | **4,180,819** |
| **Loss from operations** | | **3,738,781** | **3,808,415** |
| **Non-operating expenses** | | | |
| Foreign exchange loss | | 8,905 | 1,610 |
| Loss on extinguishment of debt | 13 | 558,814 | - |
| **Net loss before other comprehensive loss** | | **4,306,500** | **3,810,025** |
| Currency translation adjustment | | - | 534 |
| **Net comprehensive loss** | | **4,306,500** | **3,809,491** |
| **Basic and diluted loss per share** | | **(0.04)** | **(0.04)** |
| **Weighted average number of common shares outstanding, basic and diluted** | | **104,963,799** | **103,416,180** |

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

**Rapid Dose Therapeutics Corp**
**Consolidated Statements of Changes in Shareholders' Deficit)**
**For the years ended February 29, 2024 and February 28, 2023**
(Expressed in Canadian dollars, unless otherwise indicated)

| | Note | Number of shares | Common Shares | Warrants | Contributed surplus | Accumulated Other Comprehensive Loss | Deficit | Total |
|---|---|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ | $ | $ |
| **Balance, February 28, 2022** | **23** | **103,068,110** | **25,001,140** | **2,246,111** | **4,146,322** | **15,518** | **(31,157,530)** | **251,561** |
| Private placement | | 506,157 | 100,923 | 50,924 | - | - | - | 151,847 |
| FV of warrants of issued in private placement | | - | - | - | - | - | - | - |
| Share issue costs | | - | (3,803) - | 381 | - | - | - | (4,184) |
| Share-based compensation | | - | - | - | 706,931 | - | - | 706,931 |
| FV of shares - convertible notes | | - | - | - | - | - | - | - |
| FV of warrants of offered with convertible notes | | - | 30,211 | 3,021 | - | - | - | 33,232 |
| Comprehensive loss | | - | - | - | - | 534 | (3,810,025) | (3,809,491) |
| **Balance, February 28, 2023** | | **103,574,267** | **25,128,471** | **2,299,675** | **4,853,253** | **16,052** | **(34,967,555)** | **(2,670,104)** |
| Shares issued for private placement | 15 | 7,647,035 | 769,866 | 530,134 | - | - | - | 1,300,000 |
| Share issue costs, private placement | 15 | - | (150,505) | - | - | - | - | (150,505) |
| Fair value of brokers warrants for private placement | 15 | - | - | 55,646 | - | - | - | 55,646 |
| Fair value of shares issued on settlement of accounts payable and accrued liabilities | 10 | 4,369,457 | 699,618 | - | - | - | - | 699,618 |
| Fair valuation of secured convertible notes for equity component | 13 (ii) | - | - | 1,291,732 | 245,726 | - | - | 1,537,458 |
| Shares issued for interest on secured convertible notes | 13 (ii) | 740,522 | 99,295 | - | - | - | - | 99,295 |
| Shares issued for fees on secured convertible notes | 13 (ii) | 1,300,326 | 156,722 | - | - | - | - | 156,722 |
| Share issue cost on secured convertible notes | 13 (ii) | - | (111,197) | - | - | - | - | (111,197) |
| Extinguishment of unsecured convertible notes | 13 (i) | - | - | (1,720) | (17,202) | - | 18,922 | - |
| Net warrants issued for related party loan | 11 | - | - | 48,486 | - | - | - | 48,486 |
| Shares issued for interest on related party loan | 11 | 53,691 | 8,378 | - | - | - | - | 8,378 |
| Shares issued for fees on related party loan | 11 | 125,000 | 12,500 | - | - | - | - | 12,500 |
| Share-based compensation | 11, 16 | - | - | - | 162,249 | - | - | 162,249 |
| Net Comprehensive loss for the year | | - | - | - | - | - | (4,306,500) | (4,306,500) |
| **Balance, February 29, 2024** | | **117,810,298** | **26,613,148** | **4,223,953** | **5,244,026** | **16,052** | **(39,255,133)** | **(3,157,954)** |

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 29, 2024 and February 28, 2023**
(Expressed in Canadian dollars, unless otherwise indicated)

| | Notes | February 29, 2024 | February 28, 2023 |
|---|---|---|---|
| | | $ | $ |
| **Cash provided by (used in)** | | | |
| **Operating activities** | | | |
| Net loss before other comprehensive loss | | (4,306,500) | (3,810,025) |
| Items not affecting cash | | | |
| Share-based compensation | 11, 16 | 162,249 | 706,931 |
| Depreciation and amortization | 8, 9 | 620,310 | 627,444 |
| Inventory provision | 6 | - | 13,000 |
| Loss on extinguishment of debt | 13 | 558,814 | - |
| Provision for (recovery of) expected credit losses | 5 | (5,966) | 15,616 |
| Accretion expense | 12, 13 | 187,422 | 14,960 |
| Accrued interest | | - | 106,015 |
| | | (2,783,671) | (2,326,059) |
| Changes in non-cash operating working capital | | | |
| Amounts receivable | | (67,323) | 21,139 |
| Inventory | | 12,584 | 78,575 |
| Prepaid expenses and deposits | | (64,543) | 58,825 |
| Accounts payable and accrued liabilities | | 621,261 | 1,313,648 |
| Deferred revenue | | (13,299) | (10,045) |
| | | (2,294,991) | (863,917) |
| **Investing activities** | | - | - |
| **Financing activities** | | | |
| Due to related parties | | - | 253,000 |
| Loans payable | | (700,000) | 560,000 |
| Proceeds from loans | 12 | 432,754 | - |
| Payment on lease – principal portion | 14 | (335,042) | (309,364) |
| Issuance of convertible notes, net of issue costs | 13 | 1,825,610 | 201,045 |
| Issuance of units, net of issuance cost | 15 | 1,205,141 | 151,847 |
| | | 2,428,463 | 856,528 |
| **Net increase (decrease) in cash** | | 133,472 | (7,389) |
| **Cash, beginning of year** | | 27,587 | 34,442 |
| Currency translation adjustment | | - | 534 |
| **Cash, end of year** | | 161,059 | 27,587 |

**Supplementary information**

| | | |
|---|---|---|
| Interest paid | 173,002 | 82,928 |
| Settled unsecured debt (Note 11, 12, 13 (i)) through issuance of secured convertible note | 1,199,445 | - |
| Shares issued for interest and fees on secured convertible notes (Note 13(ii)) | 256,017 | - |
| Shares issued for interest and fees for related party (Note 11) | 20,878 | - |
| Shares issued for settlement of accounts payable and accrued liabilities (Note 10) | 699,618 | - |
| Tax paid | - | - |

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

## 1. Nature of operations and going concern

***Reporting Entity***

Rapid Dose Therapeutics Corp. (the "Company") is a publicly traded Canadian life sciences company that provides innovative, proprietary drug delivery technologies designed to improve outcomes and quality of lives. The Company's common shares trade on the Canadian Securities Exchange ("CSE") under the symbol "DOSE".

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. As at February 29, 2024, the Company recorded a net comprehensive loss of $4,306,500 (2023 - $3,809,491), a working capital deficiency of $2,239,314 (2023- $4,457,507) and an accumulated deficit of $39,255,133 (2023 – $34,967,555). The losses limit the Company's ability to fund its operations.

The Company does not have sufficient cash to sustain operations for the next twelve months without additional financing. The continued operations of the Company are dependent upon its ability to generate future cash flows and/or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due; however, they may not be at terms that are favorable to the Company. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

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

***I. Statement of compliance***

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB")and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as applicable to the preparation of annual financial statements. The consolidated financial statements were approved and authorized for issue by the Board of Directors on June 28, 2024.

***II. Basis of measurement***

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, if any.

***III. 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.

**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 preparation of the consolidated financial statements requires management to make judgement regarding the going concern of the Company as previously discussed in Note 1 of the consolidated financial statements. Company applied judgment in assessing its ability to continue as a going concern for at least 12 months.

*Functional currency*
The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. Such determination involves certain judgements to identify the primary economic environment.

The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment. The determination of foreign exchange differences on loans to the US subsidiary is recorded to other comprehensive income because the loans are part of the net investment in a foreign operation and repayment is not expected in the foreseeable future.

*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. 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.

*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.

*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 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.

*Convertible Debt*
The identification of convertible debt and conversion feature on debt are based on the interpretations of the substance of the contractual arrangement, and therefore require judgment from management. The separation of the components affects the initial recognition at issuance and the subsequent recognition of interest on the liability component. Critical estimates and assumptions used in the assessment of the fair value of the components are discussed in Note 13 and include the discount rate applied. Where equity-settled instruments are included in debt instruments, the amount allocated to reserve is based on the relative fair values of each instrument determined using the Black-Scholes Option Pricing Model on the date of the issuance.

*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.

*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.

## 3. Material accounting policies

### Basis of Consolidation

The consolidated financial statements include the financial statements of all entities controlled by the Company. The entities controlled by the Company include wholly owned subsidiaries, Rapid Dose Solutions Inc., RDT Therapeutics Inc., Rapid Dose Therapeutics (UK) Limited and Consolidated Consumer Brands Inc. ("CCB"). All inter-company transactions, balances, income and expense are eliminated on consolidation.

**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, account 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.

***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.

A financial liability is derecognized from the balance sheet when it is extinguished, that is, when the obligation specified in the contract is either discharged, cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognized in profit or loss.

The financial instrument measurements basis is as follows:

| | |
|---|---|
| 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 notes | 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.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and cash on deposit with original maturity of three months 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 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% |

**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 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.

**Compound financial instruments**

Compound financial instruments issued by the Company comprise units that consist of convertible notes and share purchase units, consisting of common shares and warrants. The liability component is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, consisting of the conversion feature and 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 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.

**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 equity component and the warrants were allocated based on their relative fair values. 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. The revenue is recognized at the point in time upon delivery of goods.

*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. The revenue is recognized at the point in time upon delivery of goods.

*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 share-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.

**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.

As a result of loss for the current year, the potential effect of the exercise of convertible outstanding stock options and warrants are anti-dilutive, and hence excluded.

### 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.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent it is no longer probable that sufficient taxable earnings will be available to allow all of part of the asset to be recovered.

### 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 29, 2024 and February 28, 2023.

**Extinguishment of financial liabilities with equity instruments**

IFRIC 19 provides guidance on how to account for the partial or full extinguishment of a financial liability by issuing equity instruments. The Company measures the equity instruments issued to creditors to settle or extinguish financial liabilities at fair value. The difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments are included in the consolidated statement of loss and comprehensive loss.

**Research and development**

Research expenditures are charged as an operating expense of the Company as incurred. Expenditures for development are capitalized and amortized only when the criteria for capitalization are met.

Development costs having a future benefit are recognized only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Development costs representing intangible assets are initially measured at cost and then amortized over their expected useful life. The Company reviews the amortization method and estimate of the useful life of an intangible asset at least annually.

**Research tax credit**

Research tax credits are not recognized until there is reasonable assurance that the credits will be received. The research tax credits received are recorded as deferred income and recognized in profit or loss at the same rate as the development costs are amortized.

## 4. Changes 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.

**Standards issued and not yet adopted**

Certain new standards, amendments, and interpretations to existing IFRS standards have been published but are not yet effective and have not been adopted early by the Company. Management anticipates that pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments, and interpretations is provided below.

In January 2020, the IASB issued an amendment to IAS 1, Presentation of Financial Statements ("IAS 1") to clarify its requirements for the presentation of liabilities in the statement of financial position. The limited scope amendment affected only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. The amendment clarified that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specified that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.

(Expressed in Canadian dollars, unless otherwise indicated)

It also introduced a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. On October 31, 2022, the IASB issued Non-Current Liabilities with Covenants (Amendments to IAS 1). These amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendment is effective for annual reporting periods beginning on or after January 1, 2024.

**Standards issued and adopted**

In February 2021, the IASB issued narrow-scope amendments to IAS 1, IFRS Practice Statement 2, Making Materiality Judgements and IAS 8, Accounting Polices, Changes in Accounting Estimates and Errors. The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarified how to distinguish changes in accounting policies from changes in accounting estimates. Beginning Mar 1, 2023, the Company adopted the amendments. The adoption of the amendments did not have a material impact on the Annual Financial Statements.

## 5. Amounts receivable

| | February 29, 2024 | February 28, 2023 |
|---|---|---|
| | $ | $ |
| Trade receivable | 33,029 | 75,886 |
| Provision for expected credit losses | - | (15,616) |
| | 33,029 | 60,270 |
| HST receivable | 167,293 | 76,738 |
| Other receivables | 18,992 | 9,017 |
| | 219,314 | 146,025 |

During the year, the Company received $5,966 from one of the customer, which was earlier recorded as provision for expected credit losses. Other receivables are due from a related party. (Refer note 11).

## 6. Inventory

| | February 29, 2024 | February 28, 2023 |
|---|---|---|
| | $ | $ |
| Raw materials | 56,412 | 60,830 |
| Labels and packaging | 67,990 | 66,593 |
| Finished goods | 8,066 | 30,629 |
| Inventory provision | - | (13,000) |
| | 132,468 | 145,052 |

*(i) During the year ended February 29, 2024, $125,286 of inventories were expensed in cost of revenue (2023 – $154,475).*

*(ii) The inventory provision expense during the years ended February 29, 2024 and 2023 relates to the expectation of the inventories expiring before they can be sold.*

(Expressed in Canadian dollars, unless otherwise indicated)

### 7. Prepaid expenses and deposits

| | February 29, 2024 | February 28, 2023 |
|---|---|---|
| | $ | $ |
| Prepaid insurance | 98,833 | 55,132 |
| Security deposit | 29,339 | 29,339 |
| Prepaid marketing costs | - | 5,000 |
| Deposits for inventory | 37,912 | 12,070 |
| | 166,084 | 101,541 |

### 8. Right-of-use asset

| | February 29, 2024 | February 28, 2023 |
|---|---|---|
| | $ | $ |
| Right-of-use asset | 1,466,516 | 1,466,516 |
| Accumulated amortization | (1,442,839) | (1,154,343) |
| | 23,677 | 312,173 |

Right-of-use asset represents a lease for office premises with a term ending on March 31, 2024. For the year ended February 29, 2024, the Company recorded amortization on the right-of-use asset of $288,496 (2023 - $288,496). The Company didn't extend the lease term and moved to month-to-month lease term.

### 9. Property and equipment

| | Furniture and fixtures | R&D equipment | Portable building units | Computer hardware | Leaseholds | Processing equipment | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Cost** | | | | | | | |
| **February 2022, 2023 and 2024** | 61,893 | 306,003 | 431,859 | 199,636 | 246,618 | 1,824,062 | 3,070,071 |
| **Accumulated depreciation** | | | | | | | |
| 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 |
| February 28, 2023 | 40,719 | 141,794 | 146,408 | 138,696 | 166,407 | 921,672 | 1,555,696 |
| Depreciation | 4,235 | 32,842 | 28,545 | 12,188 | 73,526 | 180,478 | 331,814 |
| **February 29, 2024** | 44,954 | 174,636 | 174,953 | 150,884 | 239,933 | 1,102,150 | 1,887,510 |
| **Net book value** | | | | | | | |
| February 28, 2023 | 21,174 | 164,209 | 285,451 | 60,940 | 80,211 | 902,390 | 1,514,375 |
| **February 29, 2024** | 16,939 | 131,367 | 256,906 | 48,752 | 6,685 | 721,912 | 1,182,561 |

(Expressed in Canadian dollars, unless otherwise indicated)

## 10. Accounts payable and accruals

| | **February 29, 2024** | **February 28, 2023** |
|---|---|---|
| | **$** | **$** |
| Accounts payable | 1,121,128 | 1,408,771 |
| Accrued liabilities | 1,468,317 | 1,372,174 |
| | 2,589,445 | 2,780,945 |

During the year, the Company has settled certain accounts payable and accrued liabilities by issuance of common shares of $699,618 (4,369,457 common shares – refer Note 15). There is no gain/loss on settlement.

## 11. Related party balances and transactions

Related parties include the members of the Board of Directors, key management personnel, and any companies controlled by these individuals. Key management personnel include those persons having authority and responsibility for planning, directing, and controlling activities of the Company, namely Directors, Chief Executive Officer, Chief Financial Officer, and Senior Vice President, Business Development.

*Related party debt*

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

| | **February 29, 2024** | **February 28, 2023** |
|---|---|---|
| | $ | $ |
| Promissory note, interest at 12% per annum, payable monthly, due April 1, 2024 | - | 253,000 |
| Promissory note, non- interest bearing, due April 1, 2024 | - | 109,000 |
| Promissory note, interest at 12% per annum, payable monthly, due March 1, 2024 | - | 150,000 |
| Convertible loan, interest at 12% per annum, payable quarterly, due September 22, 2024 | 206,288 | - |
| | 206,288 | 512,000 |

On July 21, 2023, $500,000 of the related party debt was rolled into convertible notes as set out in Note 13. The balance of the notes of $12,000 and accrued interest is due on demand has been accrued and included in 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, 2025. In addition, the director/officer received a fee of five percent (5%) of the value of the notes paid in common shares at the trading price of the shares of the Company at that date.

The secured debt loan of $250,000 (Note 12) was taken over by a related party. As part of the agreement to assume the debt obligation, the loan maturity date was extended to September 22, 2024. In exchange the Company issued 1,250,000 warrants to the related party. Each warrant may be exercised for one Common Share at a price of $0.14, for a one-year term. The Company paid a loan fee of $12,500 to the related party by issuing 125,000 Common Shares on September 29, 2023, at the trading price of the shares of the Company at that date. Interest on the Debt is 12.0% per annum calculated monthly, compounded, accrued, added to the principal amount and payable in common shares, quarterly in arrears on a calendar quarter basis until the Debt is fully repaid.

(Expressed in Canadian dollars, unless otherwise indicated)

During the year, the Company issued 7,400 Common Shares to the related party at a deemed issue price of $0.10 per Common Share and 46,291 Common Shares at a deemed issue price of $0.165 per Common Share against interest of $8,378 for secured promissory note.

A summary of the transaction for the related party loan for the year ended February 29, 2024, is as follows:

| | Notes | Warrants | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Balance, February 28, 2023** | - | - | - |
| Loan proceeds, net of issuance costs | 179,262 | 48,486 | 227,748 |
| Accretion of notes | 27,026 | - | 27,026 |
| **Balance, February 29, 2024** | **206,288** | **48,486** | **254,774** |

A director of the Company received 138,612 common shares in exchange for $22,178 of consulting services provided to the Company during the fiscal year as part of debt settlement (Note 10). (2023 - $Nil).

During the year, the Company issued total gross proceeds of $1,696,371 of secured convertible notes to the related parties. This includes conversion of related party loan of $500,000.

There is a receivable of $18,992 from a director of the Company. The Company received the amount subsequent to the year end.

The Company has recognized the share-based compensation of $87,374 to the directors of the Company. (Note 16).

*Compensation of key management personnel*

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

| | February 29, 2024 | February 28, 2023 |
|---|---|---|
| Salaries | 450,000 | 450,000 |
| Share-based compensation | 23,250 | 218,379 |
| | 473,250 | 668,379 |

(Expressed in Canadian dollars, unless otherwise indicated)

## 12. Loans payable

| | February 29, 2024 | February 28, 2023 |
|---|---|---|
| | $ | $ |
| Working capital loan (i) | - | 500,000 |
| Working capital loan (ii, See Note 11) | - | 250,000 |
| Promissory notes (iii) | - | 310,000 |
| | - | 1,060,000 |

(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 to November 30, 2023, bearing interest at 12% per annum and was repaid on December 22, 2023.

(ii) On September 22, 2023, the Company obtained short-term working capital financing of $250,000 from a company controlled by a Director of the Company to settled the loan as disclosed in Note 11. The loan was used to retire a third-party debt, with interest payable monthly at twelve percent (12%) per annum, payable quarterly in common shares, at the trading price at the close of business on the date of payment. The loan is secured by a general security agreement. The note is due on September 22, 2024. The Company also received a loan of $308,750 bearing interest at 12% per annum which was subsequently converted (together with the accrued interest thereon) into secured convertible note during the year. (Note 13 (ii)).

(iii) During the year, the Company received additional loan of $124,004 at twelve (12%) per annum from the private lender. The unsecured working capital loans from private lenders, amounting to $434,004 were repaid during the year with cash repayments of $200,000 with the remaining notes (together with the accrued interest thereon) exchanged for secured convertible notes.

The secured convertible notes (Note 13 (ii)) have substantially different terms and as there has been a substantial modification of the terms of the financial liability, these transactions have been accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

## 13. Convertible Notes

### I. Unsecured 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. 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 form 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%)

(Expressed in Canadian dollars, unless otherwise indicated)

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%.

During the year ended February 29, 2024, the Company has extinguished convertible notes of $130,000 and issued two secured convertible notes for the amount of the notes and accrued interest thereon. The secured convertible notes have substantially different terms and since there has been a substantial modification of the terms of the existing financial liability, these transactions have been accounted for as an extinguishment of the original financial liability and the recognition of the new financial liability. The conversion feature and warrant amounting to $18,922 adjusted against the accumulated deficit.

As at February 29, 2024, the principal amount of $100,000 is outstanding and due on August 8, 2024.

The following provides a summary of the changes to the unsecured notes obligations as at February 29, 2024:

| | Notes | Warrants | Conversion Feature | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance, February 28, 2022** | - | - | - | - |
| Issuance of convertible notes, net of issuance costs | 171,997 | 3,021 | 30,211 | 205,229 |
| Accretion of notes | 14,960 | - | - | 14,960 |
| **Balance, February 28, 2023** | 186,957 | 3,021 | 30,211 | 220,189 |
| Accretion of notes | 17,482 | - | - | 17,482 |
| Extinguishment of liability | (111,077) | (1,720) | (17,202) | (129,999) |
| **Balance, February 29, 2024** | 93,362 | 1,301 | 13,009 | 107,672 |

**II. Secured convertible notes**

During the year, the Company issued secured convertible notes ("Secured Convertible notes") in exchange for gross cash proceeds of $1,935,000 (net proceeds of $1,825,610), bearing interest of 12% per annum, payable quarterly, payable in common shares of the Company. The holders of the Secured Convertible Notes may convert, at their option, the principal amount into shares of the Company at a price of $0.17 per share, with a maturity date of November 30, 2025.

The Company settled $1,199,445 of unsecured debt (Note 11, 12 and 13 (i)) through the issuance of the secured convertible notes. The secured convertible notes have substantially different terms and since there has been a substantial modification of the terms of the existing financial liabilities, these transactions have been accounted for as an extinguishment of the original financial liabilities and the recognition of new financial liabilities. The Company has recognized a loss on extinguishment of liability of $558,814 in the statement of loss and comprehensive loss.

(Expressed in Canadian dollars, unless otherwise indicated)

In connection with the issuance of the Secured Convertible Notes, the Company paid $156,722 for debt issuance fees through the issuance of 1,300,326 common shares and legal fees of $109,390. The Company recorded interest expense of $99,295 (paid in shares of 740,522) and accretion expense of $142,914 for the year ended February 29, 2024 (2023: $nil).

At the subscription of the Secured Convertible Notes, each investor was also issued 5 warrant "Warrant Shares" to be utilized for the future purchase of shares of the Company. The total number of Subscription Warrants issued were 15,672,225. The holders of the Warrant Shares convert the principal amount into shares of the Company at a price of $0.14 per share. These Subscription Warrants were issued based on the original amount invested into the Secured Convertible Notes. The expiry of the Subscription Warrants is November 30, 2025.

The Company used the Black-Scholes option-pricing model to estimate fair value of the embedded warrant and conversion feature of loan. The inputs used by management to determine the fair value are the expected future volatility in the price of the Company's shares and the expected life of the Secured Convertible Notes.

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 values of these were deducted from the gross proceeds and were accreted over the term 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 following range of assumptions were used to value the equity components during the year ended February 29, 2024.

Volatility: 120% to 145%
Risk-free interest rate: 3.22% to 4.02%
Expected life (years): 1.94 to 2.36 years
Share price: $0.11 to 0.17
Exercise price: $0.14 - $0.17

A discount rate of 22% was used to value the debt component of the convertible notes. A reconciliation of the secured convertible notes payable for the year ended February 29, 2024, is as follows:

| | **Notes** | **Warrants** | **Conversion Feature** | **Total** |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance, February 28, 2023** | - | - | - | - |
| Issuance of convertible notes, net of issuance costs | 1,981,964 | 1,291,732 | 245,726 | 3,519,422 |
| Accretion of notes | 142,914 | - | - | 142,914 |
| **Balance, February 29, 2024** | 2,124,878 | 1,291,732 | 245,726 | 3,662,336 |

(Expressed in Canadian dollars, unless otherwise indicated)

## 14. Lease Liability

| | February 29, 2024 $ | February 28, 2023 $ |
|---|---|---|
| Balance, Beginning of year | 364,186 | 673,550 |
| Interest | 17,026 | 42,704 |
| Payments | (352,068) | (352,068) |
| Balance, end of year | 29,144 | 364,186 |
| | | |
| Current | 29,144 | 335,041 |
| Non-current | - | 29,145 |
| | 29,144 | 364,186 |

| | February 29, 2024 $ | February 28, 2023 $ |
|---|---|---|
| Less than one year | 29,339 | 352,068 |
| 1 to 5 years | - | 29,339 |
| Gross lease liabilities | 29,339 | 381,407 |
| Less: interest on lease liabilities | 195 | 17,221 |
| Net lease liabilities | 29,144 | 364,186 |

The facilities lease expired on March 31, 2024 and has been replaced by a lease amendment extending through to August 31, 2024 under the same terms and conditions of the expired lease. Thereafter the Company may continue to lease the facility under the terms of the lease amendment agreement until February 28, 2025. The Company has applied the practical expedient and did not capitalize the lease.

## 15. Share capital

**Authorized**
An unlimited number of common shares without par value.

**Common Shares**
As at February 29, 2024, the Company had common shares outstanding of 117,810,298 (February 28, 2023 – 103,574,267 common shares outstanding)

**Issuance of shares**

The Company issued shares during the fiscal year ended February 29, 2024 as follows:

During the year, the Company issued shares and warrants in connection with the issue of secured convertible notes (refer Note 13). The Company settled debt issuance fees of $156,722 by the issue of 1,300,327 common shares in accordance with the subscription agreements. 740,522 common shares were issued for interest payable of $99,295 to the note holders. (Note 13 (ii))

The Company approved the assignment of a debt obligation in the amount of $250,000 to a related party which provided for the issue of shares for debt issuance fees amounting to $12,500. The debt issuance fees were settled by the issue of 125,000 common shares. (refer Note 11). 53,691 common shares issued to the related party for interest of $8,378.

The Company issued 4,369,457 common shares, at a price of $0.16, as settlement of liabilities to Creditors in outstanding accounts payable in the aggregate amount of $699,618. (Note 10)

(Expressed in Canadian dollars, unless otherwise indicated)

On February 16, 2024 the Company issued 6,470,586 units at a price of $0.17 per unit with gross proceeds of $1,100,000. 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 $0.20 per common share until two years from the date of issue. On February 23, 2024 the Company issued 1,176,449 units at a price of $0.17 per unit with proceeds of $200,000. 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 $0.20 per common share until two years from the date of issue. The Company incurred share issuance cost of $150,505 including 458,823 broker warrants of $55,646.

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.

## 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 29, 2024, options amounting to 2,500,000 were issued on February 23, 2024, at $0.15 per share, vesting in accordance with the Company's Stock Option Plan policy, expiring 24 months from the date of issue.

On February 28, 2024, the Company's remaining 5,350,000 stock options were cancelled and replaced on April 1, 2024 at $0.18 per share, vesting in accordance with the Company's Stock Option Plan policy, expiring twenty-four months from the date of issue. (Refer Note 25)

There were no options issued in 2023.

| | Weighted Ave ("$") | Number of Options | Contributed surplus |
|---|---|---|---|
| Balance, February 28, 2022 | 0.54 | 10,281,000 | 4,146,322 |
| Cancelled | 0.24 to 0.82 | (1,176,250) | - |
| Share based compensation | 0.24 | - | 706,931 |
| Balance, February 28, 2023 | 0.56 | 9,104,750 | 4,853,253 |
| Expired | 0.375 | (3,754,750) | - |
| Extinguishment (Note 13 (i) | | - | (17,202) |
| Share based compensation | | - | 162,249 |
| Cancelled February 28, 2024 | 0.24 | (5,350,000) | - |
| Fair valuation of convertible notes (Note 13(ii)) | | | 245,726 |
| Issued, February 23, 2024 | 0.15 | 2,500,000 | - |
| **Balance, February 29, 2024** | | 2,500,000 | 5,244,026 |

(Expressed in Canadian dollars, unless otherwise indicated)

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

| | February 23, 2024 |
|---|---|
| Number of Options | 2,500,000 |
| Exercise price | $ 0.15 |
| Share Price | $0.15 |
| Risk-free interest rate | 4.17% |
| Expected volatility based on historical volatility | 146% |
| Expected life of warrants | 2 years |
| Expected dividend yield | 0% |
| Fair value | $267,190 |
| Number issued to directors | 2,500,000 |

The number of options outstanding and exercisable as at February 29, 2024 is 2,500,000 and 625,000 respectively (2023: 9,104,750 and 8,600,250)

## 17. Warrant reserve

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

| | Weighted average price | Number of warrants | Warrant reserve |
|---|---|---|---|
| Balance, February 28, 2022 | | 19,684,051 | 2,246,111 |
| Issued | 0.4 | 506,157 | 50,924 |
| Issued | 0.4 | 23,000 | 3,021 |
| Expired | 0.4 | (3,399,370) | (381) |
| Balance, February 28, 2023 | | 16,813,838 | 2,299,675 |
| Expired and extinguished | 0.4 | (16,284,681) | (1,720) |
| Issued – secured convertible note (Note 13) | 0.14 | 15,672,225 | 1,291,732 |
| Issued – September 2023 (Note 11) | 0.14 | 1,250,000 | 48,486 |
| Issued – private placement (Note 15) | 0.2 | 7,647,035 | 530,134 |
| Issued – issuance cost (Note 15) | 0.2 | 458,823 | 55,646 |
| **Balance, February 29, 2024** | | **25,557,240** | **4,223,953** |

The value of the warrants issued during the year was calculated using the Black-Scholes option pricing model using a nil expected dividend yield and the other assumptions being as follows:

The Company issued 15,672,225 warrants in four tranches against issuance of secured convertible debt (Note 13(ii)).

| **Date of Issue** | **Tranche 1 July 21, 2023** | **Tranche 2 September 22, 2023** |
|---|---|---|
| Expiry date | November 30,2025 | November 30,2025 |
| Warrants Issued | 7,347,225 | 1,550,000 |
| Exercise price | $0.14 | $0.14 |
| Share Price | $0.155 | $0.11 |
| Risk-free interest rate | 4.58% | 4.92% |
| Expected volatility based on historical volatility | 117% | 128% |
| Expected life of warrants | 2.36 years | 2.19 years |
| Fair value | $712,712 | $77,260 |
| Fair value per warrant | $0.0970 | $0.0498 |

(Expressed in Canadian dollars, unless otherwise indicated)

| | **Tranche 3** | **Tranche 4** |
|---|---|---|
| **Date of Issue** | **November 14, 2023** | **December 22, 2023** |
| Expiry date | November 30, 2025 | November 30, 2025 |
| Warrants Issued | 2,500,000 | 4,275,000 |
| Exercise price | $0.14 | $0.14 |
| Share Price | $0.175 | $0.14 |
| Risk-free interest rate | 4.39% | 3.99% |
| Expected volatility based on historical volatility | 138% | 143% |
| Expected life of warrants | 2.05 year | 1.94 years |
| Fair value | $217,111 | $284,649 |
| Fair value per warrant | $0.0868 | $0.0666 |

The Company issued 1,250,000 warrants to the related parties against loan of $250,000 (Note 11)

| **Date of Issue** | **September 22, 2023** |
|---|---|
| Expiry date | September 22, 2024 |
| Warrants Issued | 1,250,000 |
| Exercise price | $0.14 |
| Share Price | $0.11 |
| Risk-free interest rate | 4.88% |
| Expected volatility based on historical volatility | 135% |
| Expected life of warrants | 1 year |
| Fair value | $62,344 |
| Fair value per warrant | $0.0499 |

The company issued 7,647,035 warrants related to the private placement of gross proceed of $1,300,000 (Note 15)

| **Date of Issue** | **February 16, 2024** | **February 23 2024** |
|---|---|---|
| Expiry date | February 16, 2026 | February 23, 2026 |
| Warrants Issued | 6,470,586 | 1,176,449 |
| Exercise price | $0.2 | $0.20 |
| Share Price | $0.16 | $0.15 |
| Risk-free interest rate | 4.29% | 4.17% |
| Expected volatility based on historical volatility | 144% | 144% |
| Expected life of warrants | 2 years | 2 years |
| Fair value | $665,661 | $116,166 |
| Fair value per warrant | $0.3086 | $0.0987 |

The Company issued 458,823 broker warrants, correspondence to the two issuance of private placement mentioned above. (Note 15)

| **Date of Issue** | **February 16, 2024** | **February 23, 2024** |
|---|---|---|
| Expiry date | February 16, 2026 | February 23, 2026 |
| Warrants Issued | 388,235 | 70,588 |
| Exercise price | $0.2 | $0.2 |
| Share Price | $0.16 | $0.15 |
| Risk-free interest rate | 4.29% | 4.17% |
| Expected volatility based on historical volatility | 144% | 144% |
| Expected life of warrants | 2 years | 2 years |
| Fair value | $39,940 | $6,970 |
| Fair value per warrant | $0.3086 | $0.0987 |

(Expressed in Canadian dollars, unless otherwise indicated)

During the year 2023, the Company issued 506,157 warrants on private placements (Note 15)

| **Date of Issue** | **April 28, 2022** |
|---|---|
| Expiry date | **April 28, 2024** |
| Warrants Issued | 506,157 |
| Exercise price | $0.4 |
| Share Price | $0.290 |
| Risk-free interest rate | 0.30% |
| Expected volatility based on historical volatility | 110% |
| Expected life of warrants | 2 years |
| Fair value | $50,924 |
| Fair value per warrant | $0.1000 |

During the year 2023, the Company issued 23,000 warrants against unsecured convertible debt (Note 13(I))

| **Date of Issue** | **August 8, 2022** |
|---|---|
| Expiry date | **August 8, 2024** |
| Warrants Issued | 23,000 |
| Exercise price | $0.4 |
| 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 |
| Fair value per warrant | $0.1300 |

16,284,681 warrants expired on March 19, 2023, related to acquisition of CCB.

## 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.

(Expressed in Canadian dollars, unless otherwise indicated)

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

| | Year ended February 29, 2024 | | | Year ended February 28, 2023 | | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Cost of Sales** | **Gross Profit** | **Revenue** | **Cost of Sales** | **Gross Profit** |
| | **$** | **$** | **$** | **$** | **$** | **$** |
| Nutraceuticals | 31,492 | 28,661 | 2,831 | 53,279 | 52,495 | 784 |
| Other non-cannabis product sales | 6,472 | 2,941 | 3,531 | 79,119 | 68,507 | 10,612 |
| **Health and wellness** | **37,964** | **31,602** | **6,362** | **132,398** | **121,002** | **11,396** |
| White Label | 456,960 | 144,917 | 312,043 | 476,292 | 179,881 | 296,411 |
| Product Testing | 13,800 | 25,500 | (11,700) | 13,931 | 10,568 | 3,363 |
| **White Label** | **470,760** | **170,417** | **300,343** | **490,223** | **190,449** | **299,774** |
| Research program services | 25,100 | - | 25,100 | - | - | - |
| Contract development services | 486,600 | 254,996 | 231,604 | 101,340 | 60,357 | 40,983 |
| **Services revenue** | **511,700** | **254,996** | **256,704** | **101,340** | **60,357** | **40,983** |
| **Total** | **1,020,424** | **457,015** | **563,409** | **723,961** | **371,807** | **352,153** |

*Customer Concentration:*

Two customers comprised 81% (2023 - 65%) of total revenue during the year ended February 29, 2024.

One customer comprised 100% (2023 – 100%) of licensing and consulting revenue and 2024 – 50% of total revenue during the year ended February 29, 2024 (2023 – 14%)

*Geographic Information:*

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

## 19. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory rate of 26.5% (2023 - 26.5%) to the effective tax rate is as follows:

| | **February 29, 2024** | **February 28, 2023** |
|---|---|---|
| | $ | $ |
| Net loss | (4,306,500) | (3,810,025) |
| Expected income tax recovery | (1,141,223) | (1,009,657) |
| Tax rate changes and other adjustments | 74 | (25,529) |
| Non-deductible expenses | 186,838 | 209,443 |
| Share issue costs booked directly to equity | (74,155) | 5,697 |
| Book to return adjustments | (2,448,949) | - |
| Changes in tax benefits not recognized | 3,477,415 | 820,046 |
| Income tax (recovery) | - | - |

(Expressed in Canadian dollars, unless otherwise indicated)

**Deferred tax**

The following table summarizes the components of deferred tax:

| | February 29, 2024 $ | February 28, 2023 $ |
|---|---|---|
| **Deferred tax assets** | | |
| Lease obligation | 7,723 | 96,509 |
| Operating tax losses carried forward – Canada | 187,536 | 197,518 |
| **Deferred tax liabilities** | | |
| Property, plant, and equipment | (188,986) | (211,301) |
| Right-of-use asset | (6,273) | (82,726) |
| 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:

| | February 29, 2024 $ | February 28, 2023 $ |
|---|---|---|
| Property and equipment | - | - |
| Right-of-use asset | - | 82,726 |
| Unrealized foreign exchange gains or losses | - | 5,748 |
| Share issuance costs | 225,289 | 21,497 |
| Convertible notes | 183,236 | - |
| Charitable donations | 104,536 | - |
| Operating tax losses carried forward – Canada | 28,076,643 | 16,192,299 |
| Operating tax losses carried forward – USA | 866,095 | 864,750 |
| | **29,455,799** | **17,167,021** |

The Canadian operating tax loss carry forwards expire as noted in the table below.

Share issue and financing costs will be fully amortized in 2028. Charitable donations carry forwards will fully expire in 2029. The remaining deductible temporary differences may be carried forward indefinitely.

(Expressed in Canadian dollars, unless otherwise indicated)

As at February 29, 2024, the Company's Canadian operating tax losses expire as follows:

| | Canada<br>$ | USA<br>$ |
|---|---|---|
| 2037 | 1,535,394 | - |
| 2038 | 1,863,946 | - |
| 2039 | 1,408,431 | - |
| 2040 | 6,520,031 | - |
| 2041 | 2,537,236 | - |
| 2042 | 8,590,767 | - |
| 2043 | 2,960,327 | - |
| 2044 | 3,368,196 | - |
| Indefinite | - | 866,095 |
| | **28,784,328** | **866,095** |

## 20. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.
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 29, 2024 approximated their respective carrying values due to their short term to maturity.

*Classification of fair value of financial instruments*
The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the number of observable inputs used to value the instrument:

Level 1: quoted prices in active markets for identical assets and liabilities;
Level 2: inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
Level 3: inputs for the asset or liability that are not based on observable market data.

## 21. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its activities, including credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these 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 amounts 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 95% (2023 – 100%).

The following table provides information regarding the aged trade receivable:

| | Current | 31-60 days | 61-90 days | 91 days+ |
|---|---|---|---|---|
| February 29, 2024 | 0% | 100% | 0% | 0% |

*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.

## 22. Capital risk management

The Company considers its capital to be shareholders' deficit which comprises share capital, warrant reserve, contributed surplus, accumulated other comprehensive loss 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.

**23. 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.

**24. Reclassification**

Certain comparative information has been reclassified wherever necessary for comparative purposes.

**25. Subsequent events**

The Company closed three additional tranches of the private placement financing in April and May 2024, bringing the total amount raised to $1,960,000 ($1,300,000 as at February 29, 2024). The 3,882,353 units (the “Units”) were issued at a price of $0.17 per Unit, consisting of one common share of the Company (a “Common Share”) and one common share purchase warrant of the Company (a “Warrant”). Each Warrant is exercisable to acquire one Common Share at a price of $0.20 per Common Share for a term of two years from the date of issuance of such Warrant. The Agent was paid fees of $39,600 of the aggregate gross and issued 396,232 Agent Warrants to the Agent.

On April 1, 2024, the Company issued 9,050,000 stock options at $0.18 per share, vesting in accordance with the Company’s Stock Option Plan policy, expiring twenty-four months from the date of issue.