nDatalyze Corp.
(formerly MedXtractor Corp.)
Consolidated Financial Statements
expressed in Canadian dollars

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

Kenway Mack Slusarchuk Stewart LLP
Chartered Professional Accountants

Celebrating 35+ years

Independent Auditors' Report

To: The Shareholders of **nDatalyze Corp.**

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Auditors' 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which indicates that at February 28, 2023 the Company had a loss and comprehensive loss of $1,232,103. This condition, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and not otherwise addressed in our report. These matters were addressed in the context of our audit of the 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 Material Uncertainty Related to Going Concern section of our report, we have determined that there are no key audit matters to be communicated in our auditors' report.

Other Matter

The financial statements of the Company for the year ended February 28, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on June 17, 2022.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

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

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. 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 these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 auditors’ report to the related disclosures in the 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 auditors’ 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 financial statements, including the disclosures, and whether the 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 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.

The engagement partner on the audit resulting in this Independent Auditors' report is Roland A. Bishop, CPA, CA.

Kenway Mack Slusarchuk Stewart LLP

Chartered Professional Accountants

June 28, 2023
Calgary, Alberta

nDatalyze Corp.
(formerly MedXtractor Corp.)
Consolidated Statements of Financial Position
expressed in Canadian dollars

As at

	February 28, 2023	February 28, 2022
Assets		
Current		
Cash	$ **742,739**	$ 1,595,385
Accounts receivable	**70,698**	17,992
Inventory (Note 5)	**22,376**	67,156
Prepaid expenses and deposits	**4,179**	10,351
	839,992	1,690,084
Non-current Assets		
Furniture and equipment, net of accumulated amortization	**802**	1,910
Intangible assets (Note 6)	**21,213**	17,927
Total assets	$ **862,007**	$ 1,710,721
Liabilities		
Current		
Accounts payable and accruals (Note 16)	$ **289,269**	$ 81,416
Total liabilities	**289,269**	81,416
Shareholders' Equity		
Share capital (Note 7)	$ **2,451,048**	$ 2,268,254
Warrants (Note 8)	**29,236**	706,793
Contributed surplus (Notes 8 and 12)	**1,490,126**	819,827
Deficit	**(3,397,672)**	(2,165,569)
Total shareholders' equity	**572,738**	1,629,305
Total liabilities and shareholders' equity	$ **862,007**	$ 1,710,721

Going concern (Note 2)
Subsequent events (Note 16)

Approved on behalf of the Board of Directors

Jim Durward — **Director**

S. Price — **Director**

The accompanying notes are an integral part of these financial statements

Consolidated Statements of Loss and Comprehensive Loss
expressed in Canadian dollars
For the years ended February 28, 2023 and 2022

		February 28, 2023		February 28, 2022
Revenues				
Sales (Note 13)	$	**171,215**	$	424,928
Cost of sales		**126,371**		194,951
Gross margin	$	**44,844**	$	229,977
Expenses				
Depreciation and amortization	$	**2,207**	$	1,885
Advertising and promotion		**522,864**		46,418
Warranty		**1,062**		2,655
Interest and bank charges		**1,871**		4,806
Contractors		**58,395**		64,750
Legal, audit, and professional		**96,659**		104,649
Travel, meals and entertainment		**13,721**		7,277
Research and development		**254,589**		831,761
Insurance		**7,745**		7,725
Investor relations		**306,193**		248,736
Office expenses		**8,549**		3,728
Accounting		**11,000**		6,600
Rent		**8,400**		8,390
Payroll taxes		**-**		21,412
Obsolete inventory		**-**		27
Utilities		**1,173**		832
Share based compensation (Note 12)		**-**		48,507
Total expenses	$	**1,294,428**	$	1,410,158
Other Income				
Foreign exchange gain	$	**102**	$	122
Interest Income		**17,379**		6,578
Total other income	$	**17,481**	$	6,700
Net operating loss and comprehensive loss	$	**(1,232,103)**	$	(1,173,481)
Loss per share (basic and diluted)	$	**(0.03)**	$	(0.03)
Weighted average shares outstanding (basic and diluted)		**38,551,425**		36,586,836

The accompanying notes are an integral part of these financial statements

Consolidated Statements of Changes in Shareholders' Equity
expressed in Canadian dollars

For the years ended February 28, 2023 and 2022

	Share Capital ($)	Warrants ($)	Contributed Surplus ($)	Deficit ($)	Shareholders' Equity ($)
As at February 28, 2021	**1,021,847**	**-**	**771,320**	**(992,088)**	**801,079**
Units issued for cash	2,065,000	-	-	-	2,065,000
Fair value of warrants (Note 8)	(627,367)	627,367	-	-	-
Share issue costs (Note 7)	(191,226)	79,426	-	-	(111,800)
Share based compensation (Note 12)	-	-	48,507	-	48,507
Net loss	-	-	-	(1,173,481)	(1,173,481)
As at February 28, 2022	**2,268,254**	**706,793**	**819,827**	**(2,165,569)**	**1,629,305**
Units issued for cash	133,500	-	-	-	133,500
Fair value of warrants (Note 8)	(26,236)	26,236	-	-	-
Share issue costs (Note 7)	(12,365)	3,000	-	-	(9,365)
Warrants exercised	87,895	(36,494)	-	-	51,401
Warrants expired	-	(670,299)	670,299	-	-
Net loss	-	-	-	(1,232,103)	(1,232,103)
As at February 28, 2023	**2,451,048**	**29,236**	**1,490,126**	**(3,397,672)**	**572,738**

nDatalyze Corp.
(formerly MedXtractor Corp.)
Consolidated Statements of Cash Flows
expressed in Canadian dollars
For the years ended February 28, 2023 and 2022

Cash provided by (used in):

		February 28, 2023		February 28, 2022
Operating activities				
Net loss	$	**(1,232,103)**	$	(1,173,481)
Depreciation and amortization		**2,207**		1,885
Share based compensation (Note 12)		**-**		48,507
Change in non-cash working capital (Note 15)		**206,100**		(2,268)
Cash flows used in operating activities	$	**(1,023,796)**	$	(1,125,357)
Investing activities				
Purchase of furniture and equipment	$	**-**	$	(1,320)
Intangible assets (Note 6)		**(4,386)**		(12,531)
Cash flows used in investing activities		**(4,386)**		(13,851)
Financing activities				
Issuance of common share and warrants, net of costs	$	**124,135**	$	1,953,200
Warrants exercised		**51,401**		-
Cash flows provided by financing activities		**175,536**		1,953,200
(Decrease) increase in cash		**(852,646)**		813,992
Cash, beginning of year		**1,595,385**		781,393
Cash, end of year	$	**742,739**	$	1,595,385

1. Incorporation and operations

nDatalyze Corp. (formerly MedXtractor Corp.) (the "Company") was incorporated on January 24, 2018 by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta). On October 22, 2021 the Company changed its name to nDatalyze Corp.

The Company generates technologically-based solutions focusing on applying machine learning to predict potential benefits associated with the use of entheogenic compounds within the mental health sector and is developing a data driven consumer mHealth application. The Company also manufactures and sells essential oil CO2 extraction equipment. The Company is publicly trading and listed on the Canadian Securities Exchange (CSE:NDAT) (OTC:NDATF).

On July 13, 2020, the Company incorporated a wholly-owned subsidiary 2273670 Alberta Ltd. for manufacturing alcohol-based extractors. The head office and registered office of the Company is located at Suite 1150, 707 – 7th Ave. SW Calgary, Alberta T2P 3H6.

2. Basis of preparation

Statement of compliance

These 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") in effect for the fiscal period ending February 28, 2023.

These consolidated financial statements were authorized for issue in accordance with a resolution of the directors on June 28, 2023.

Going Concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company for the year ended February 28, 2023 incurred a net loss of $1,232,103 (cumulative deficit of $3,397,672) and used cash flow in operating activities of $1,023,796. The Company has experienced declining revenues and its consumer mHealth application has not yet generated revenues.

As a result of these risks, there exists a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and their classifications. Such adjustments, if required, could be material.

Basis of measurement

These financial statements are stated in Canadian dollars which is the Company's functional currency and are prepared on a going concern basis, under the historical cost convention.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the financial statements are disclosed in Note 4.

Basis of consolidation

These consolidated financial statements include the financial statements of nDatalyze Corp. and its wholly-owned subsidiary, 2273670 Alberta Ltd., a company incorporated in Alberta on July 13, 2020. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of the subsidiary incorporated during the year are included in the consolidated statements of income and comprehensive income from the date of incorporation. All intercompany transactions, balances, income and expenses are eliminated through the consolidation process. The accounts of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

3. Significant accounting policies

Cash

Cash consists of cash held in banks denominated in both Canadian and US Dollars carried at fair value.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets held by the Company relate to permits, patent application, URL website address and all intellectual rights, with an estimated useful life of 20 years. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and,
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Inventory

Inventory is valued at the lower of costs and net realizable value determined on a first-in, first-out basis.

Furniture and equipment

Furniture and equipment are recorded at historical cost. Depreciation is recognized on a straight-line basis over five years, which represents the estimated useful lives of the assets. Depreciation rates, estimated lives and salvage values are reassessed annually.

Share-based payments

The Company applies a fair value based method of accounting for all share-based payments. Employee and director stock options are measured at their fair value of each tranche on the grant date and recognized over its respective vesting period. Non-employee stock options are measured based on the service provided to the reporting date and at their then-current fair values. The cost of stock options is presented as share-based payment expense when applicable with a corresponding credit to contributed surplus. On the exercise of stock options share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based payments.

Taxes

Tax expense comprises current and deferred tax. Tax is recognized in the statement of comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Financial instruments

Classification and measurement of financial instruments

The Company measures its financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification which in the case of financial assets, is determined by the context of the Company's business model and the contractual cash flow characteristics of the financial asset. Financial assets are classified into two categories: (1) measured at amortized cost and (2) fair value through profit and loss ("FVTPL"). Financial liabilities are subsequently measured at amortized cost, other than financial liabilities that are measured at FVTPL or designated as FVTPL where any change in fair value resulting from an entity's own credit risk is recorded as other comprehensive income ("OCI").

Amortized cost

The Company classifies its accounts receivable and accounts payable and accruals as measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. These financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

FVTPL

The Company classifies its cash as measured at FVTPL. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with changes in fair value charged immediately to the consolidated statements of income and comprehensive income.

Impairment of financial assets

The Company's accounts receivable are subject to the expected credit loss model under IFRS 9. For the accounts receivable, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the lifetime expected loss provision, the Company considered historical industry default rates as well as credit ratings of major customers.

The Company's accounts receivable are considered collectible within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime expected credit loss ("ECL") is measured at the date of initial recognition of the trade and other receivable.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets 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 (the CGU). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing 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 the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated to carrying amounts of the assets in the CGU on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

Revenue recognition

Revenue is recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

This is achieved by applying the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. Typically, revenue is recognized on shipment of product as specified by a customer's order and customer payment is reasonably assured.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Other equity instruments

Warrants and special warrants are classified as equity. Incremental costs directly attributable to the issue of warrants and special warrants are recognized as a deduction from equity, net of any tax effects. Units issued which comprise both common shares and warrants are allocated using their relative fair value.

Loss per share

Loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted per share calculations reflect the exercise or conversion of potentially dilutive securities or other contracts to issue shares at the later of the date of grant of such securities or the beginning of the period.

4. Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates.

Estimates

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

Fair value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

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. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Share based payment transactions

The Company measures the cost of equity-settled share-based transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, forfeiture rate, risk-free rate and dividend yield and making assumptions about them.

Judgements

The key areas of judgment which have been made in the process of applying the Company’s accounting policies:

Impairment of non-financial assets

The determination of whether indicators of impairment exist and the aggregation of assets into cash-generating units (“CGU’s”) based on their ability to generate independent cash flows are subject to management’s judgment. The recoverable amounts used for impairment calculations require estimates of future cash flows related to the assets or CGU’s and estimates of discount rates applied to these cash flows.

Taxes

The Company recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Company’s deductible temporary differences which are based on management’s judgement on the degree of future taxable profits. To the extent that future taxable profits differ significantly from the estimates impacts the amount of the deferred tax assets management judges is probable.

Financial instruments

The Company is required to classify its various financial instruments into certain categories for the financial instruments’ initial and subsequent measurement. This classification is based on management’s judgement as to the purpose of the financial instrument and to which category is most applicable.

expressed in Canadian dollars

5. Inventory

Inventory consists of:		February 28, 2023		February 28, 2022
Raw Material	$	21,043	$	58,664
Sub Assembly		1,333		8,492
Total	$	22,376	$	67,156

During the year ended February 28, 2023, the Company expensed $97,155 (February 28, 2022 - $120,700) of inventory which is included in cost of sales.

6. Intangible assets

		February 28, 2023		February 28, 2022
Intangible assets, cost	$	23,658	$	19,176
Accumulated amortization		(2,445)		(1,249)
Intangible assets, net of accumulated amortization	$	21,213	$	17,927

On February 22, 2018, the Company acquired intangible assets including Canadian and US patents, URL website address, and all intellectual rights relating to the cannabis oil extraction technology.

7. Share capital

Authorized:

Unlimited number of voting Common Shares without par value
Unlimited number of non-voting Preferred shares issuable in series without par value

Issued: Common Shares

	Number of Shares	$
As at February 28, 2021	**27,846,425**	**1,021,847**
Shares issued	10,075,000	1,437,633
Share issue costs		(191,226)
As at February 28, 2022	**37,921,425**	**2,268,254**
Shares issued	534,000	107,264
Share issue costs		(12,365)
Finders fees warrants exercised	257,000	87,895
As at February 28, 2023	**38,712,425**	**2,451,048**

A private placement of 9,075,000 units was completed on March 15, 2021 at a price of $0.20 per unit for gross proceeds of $1,815,000. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire one common share at a price of $0.35 per common share for a period of 12 months with a value of $576,908 (Note 8), subject to the accelerated expiry provision where if, on any 5 consecutive trading days occurring after July 16, 2021, the closing sales price of the common shares (or the closing bid, if no sales were reported on a trading day) as quoted on the Canadian Securities Exchange is greater than $0.60 per common share, the Company may provide notice in writing to the holders of the warrants by issuance of a press release that the expiry date of the warrants will be accelerated to the 30th day after the date on which the Company issues such press release. The Company paid eligible finders aggregate cash finders fees of $111,760 and issued 558,800 finders warrants to purchase common shares of the Company at a price of $0.20 per common share for a period of 12 months with a value of $79,426 (Note 8).

A private placement of 1,000,000 units was completed on February 14, 2022 at a price of $0.25 per unit for gross proceeds of $250,000. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire one common share at a price of $0.35 per common share for a period of 12 months with a value of $50,459 (Note 8), subject to the accelerated expiry provision where if, on any 10 consecutive trading days occurring after June 15, 2022, the closing sales price of the common shares (or the closing bid, if no sales were reported on a trading day) as quoted on the Canadian Securities Exchange is greater than $0.60 per common share, the Company may provide notice in writing to the holders of the warrants by issuance of a press release that the expiry date of the warrants will be accelerated to the 30th day after the date on which the Company issues such press release.

A private placement of 534,000 units was completed on March 21, 2022, at a price of $0.25 per unit for gross proceeds of $133,500. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire one common share at a price of $0.35 per common share for a period of 12 months with a value of $26,236 (Note 8), subject to the accelerated expiry provision where if, on any 10 consecutive trading days occurring after September 22, 2022, the closing sales price of the common shares (or the closing bid, if no sales were reported on a trading day) as quoted on the Canadian Securities Exchange is greater than $0.60 per common share, the Company may provide notice in writing to the holders of the warrants by issuance of a press release that the expiry date of the warrants will be accelerated to the 30th day after the date on which the Company issues such press release. The Company paid eligible finders aggregate cash finders fees of $9,365 and issued 37,380 finders warrants to purchase common shares of the Company at a price of $0.25 per common share for a period of 12 months with a value of $3,000 (Note 8).

expressed in Canadian dollars

8. Warrants

Warrants	Number of warrants outstanding	Value	Exercise price	Weighted average life (in years
As at February 28, 2021	**-**	**$ -**	**-**	**-**
Warrants issued in private placement	9,075,000	576,908	$0.35	0.04
Warrants issued in private placement	1,000,000	50,459	$0.35	0.96
Warrants issued to finders	558,000	79,426	$0.20	0.04
As at February 28, 2022	**10,633,000**	**706,793**	**$0.34**	**0.13**
Warrants exercised	(257,000)	(36,494)	$0.20	-
Warrants expired unexercised	(10,376,000)	(670,299)	$0.35	-
Warrants issued	534,000	26,236	$0.35	0.06
Finders fees warrants issued	37,380	3,000	$0.25	0.06
As at February 28, 2023	**571,380**	**$ 29,236**	**$0.34**	**0.06**

On March 15, 2021, 10,075,000 warrants issued exercisable at a price of $0.35 per share, expire in one year with a fair value of the $627,633 or $0.06 per warrant calculated using the Black-Scholes option pricing model. The assumptions for this calculation were a risk free interest rate of 0.3%, expected life of 1 year and expected volatility of 151%.

558,000 warrants issued to finders exercisable at a price of $0.20 per share, expire in one year with a fair value of the $79,426 or $0.14 per warrant calculated using the Black-Scholes option pricing model. The assumptions for this calculation were a risk free interest rate of 0.3%, expected life of 1 year and expected volatility of 151%.

On March 14, 2022, 257,000 finders fee warrants were exercised at a price of $0.20 per warrant for gross proceeds of $51,400.

On March 21, 2022, 534,000 warrants issued exercisable at a price of $0.35 per share, expire in one year with a fair value of the $26,236 or $0.05 per warrant calculated using the Black-Scholes option pricing model. The assumptions for this calculation were a risk free interest rate of 1.96%, expected life of 1 year and expected volatility of 95%.

37,380 warrants issued to finders exercisable at a price of $0.25 per share, expire in one year with a fair value of the $3,000 or $0.08 per warrant calculated using the Black-Scholes option pricing model. The assumptions for this calculation were a risk free interest rate of 1.96%, expected life of 1 year and expected volatility of 95%.

10,075,000 warrants with an exercise price of $0.35 expired unexercised and 301,000 finders fees warrants expired unexercised.

expressed in Canadian dollars

9. Income taxes

The tax provision recorded in the financial statements differs from the amount computed by applying the combined Canadian federal and provincial income tax statutory rates to loss before tax as follows:

		2023		2022
Loss before tax	**$**	**(1,232,103)**	**$**	(1,173,481)
Statutory income tax rate (%)		**23.00%**		23.00%
Expected tax recovery at statutory rate		**(283,384)**		(269,901)
Increase (decrease) in taxes resulting from:				
Non-deductible items		**699**		11,802
Change in enacted tax rates		**-**		-
Deferred tax benefits recognized (not recognized)		**282,685**		258,099
Income tax provision	**$**	**-**	**$**	-

Details of deferred tax assets (liabilities) are as follows:

Furniture, equipment and intangibles	**$**	**-**	$	(67)
Non-capital losses		**-**		67
Total deductible temporary differences	**$**	**-**	$	-

The Company has not recognized a deferred tax asset in respect of the following deductible temporary differences:

Furniture, equipment and intangibles	**$**	**-**	$	-
Share issuance cost		**73,947**		92,434
Non-capital losses		**2,524,515**		1,279,171
Total deductible temporary differences	**$**	**2,598,462**	$	1,371,605

As at February 28, 2023, the Company has not recognized a deferred tax asset in respect of an estimated non-capital loss carry-forward balance of $2,524,515 (2022 - $1,279,171) available to reduce future years' income for Canadian tax purposes. These losses, if not fully utilized, will begin to expire in 2041.

Deferred tax assets are recorded only to the extent that future taxable income will be available against which the deferred tax asset can be offset. Management estimates future income using forecasts based on the best available current information. Based on the current estimates, no deferred tax asset has been recorded.

10. Capital disclosures

The Company's capital consists of share capital.

The Company sets the amount of capital in relation to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Company's objectives when managing capital are:

i. to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and,

ii. to maintain investor, creditor and market confidence in order to sustain the future development of the business.

The Company is not subject to any externally or internally imposed capital requirements at period-end.

11. Financial instruments

The Company, as part of its operations, carries financial instruments consisting of cash, accounts receivable, and accounts payable and accruals. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The fair value of cash is determined on level 1 inputs. The carrying amount of cash, accounts receivable, and account payable and accruals approximates its fair value due to the short-term maturities of these items.

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 28, 2023, the Company had a cash balance of $742,739 to pay liabilities of $289,269.

Market risk

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

i. Interest rate risk

   The Company has cash balances and no interest-bearing debt.

ii. Foreign currency risk

   As at February 28, 2023, the Company has $18,756 in cash denominated in US Dollars foreign currency.

expressed in Canadian dollars

iii. Commodity risk

The Company is not exposed to commodity price risk.

12. Share based compensation

The Company has a stock option plan for its officers, directors, employees and consultants. The maximum number of common shares issuable under the Plan cannot exceed 10% of the Company's issued and outstanding common shares.

Stock Options	Number of options outstanding and exercisable	Weighted average exercise price	Weighted average life (in years)
As at February 28, 2021	**2,850,000**	**$0.26**	**4.97**
Stock options granted	300,000	0.18	5.00
As at February 28, 2022	**3,150,000**	**$0.25**	**4.00**
As at February 28, 2023	**3,150,000**	**$0.25**	**3.00**

During the year ended February 28, 2023 nil stock options were granted (February 28, 2022, the Company granted a total of 300,000 medical consultant share purchase options, exercisable for 5 years at $0.18 per share. The fair value of $48,507 for the 300,000 stock options granted of $0.16 per option was calculated at the grant date using the Black-Scholes option pricing model. The assumptions for this calculation were a risk free interest rate of 0.79%, expected life of 5 years and historical volatility was used for calculation of expected volatility of 146%.)

13. Segmented information

Revenues are from one segment and are predominantly to international customers with $122,685 for the year ended February 28, 2023 (February 28, 2022 - $263,998).

The below table summarizes the revenues by product and geographical location for the year ended February 28, 2023:

	CO2 extraction	Alcohol based extraction	Total
Canada	$ 37,265	$ 11,265	$ 48,530
United States	67,935	18,739	86,674
International	27,730	8,281	36,011
	$ 132,930	**$ 38,285**	**$ 171,215**

The below table summarizes the revenues by product and geographical location for the year ended February 28, 2022:

	CO2 extraction	Alcohol based extraction	Total
Canada	$ 124,847	$ 36,083	$ 160,930
United States	139,951	35,089	175,040
International	71,900	17,058	88,958
	$ 336,698	**$ 88,230**	**$ 424,928**

expressed in Canadian dollars

14. Related party transactions

1,386,500 or 15.3% of the units issued in the March 15, 2021, private placement for proceeds of $277,285 were issued to officers and directors of the Company.

Key management personnel

The Company has determined that the key management personnel of the Company consists of its officers and directors. The following table provides information on compensation expense related to officers and directors.

	February 28, 2023		February 28, 2022
Wages, consulting fees and benefits	57,185	$	35,490
Share based compensation	-		-
Total	**57,185**	**$**	**35,490**

15. Changes in non-cash working capital

		February 28, 2023		February 28, 2022
Accounts receivable	$	(52,706)	$	(17,992)
Inventory		44,780		1,228
Prepaid expenses and deposits		6,172		4,953
Accounts payable and accruals		207,854		9,543
Changes in non-cash working capital	$	206,100	$	(2,268)

16. Subsequent events

571,380 warrants expired unexercised (Note 8).

On April 27, 2023, 2,650,000 common share purchase options to directors, officers and consultants of the Company exercisable at a price of $0.27 per share, with an expiration date of February 26, 2026 were cancelled (Note 12).

The Company has terminated its service agreement with a significant vendor and disputed $217,739 in unpaid invoices which was included in accounts payables and accruals as at February 28, 2023. The final outcome of this dispute has not yet been determined. The Company will record the outcome of the dispute in the period in which it occurs.