doseology

Doseology Sciences Inc.

Consolidated Financial Statements
For the Year Ended June 30, 2022
(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Doseology Sciences Inc.

Opinion

We have audited the consolidated financial statements of Doseology Sciences Inc. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2022 and 2021, and its financial performance and its cash flows for the years 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 *Auditor's Responsibilities for the Audit of the 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 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 1 of the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty 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.

Other Information

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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditor's Responsibilities for the Audit of the 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 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 financial statements. 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 auditor's report is David Geortz.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

October 28, 2022

Doseology Sciences Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

		For the year ended June 30,	
As at	**Note**	**2022 $**	**2021 $**
Assets			
Current assets			
Cash		1,874,416	3,733,524
Accounts receivable	4	85,412	28,489
Due from related parties	11	-	15,096
Prepaid expenses and deposits	5	1,002,292	1,095,330
Inventories	6	10,393	129,238
		2,972,513	**5,001,677**
Property and equipment	7	882,828	907,452
Intangible assets	8	13,964	81,072
Total assets		**3,869,305**	**5,990,201**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	9	125,410	416,595
Subscription receipts liability	12	-	2,309,494
Lease liability - current portion	10	93,460	28,529
		218,870	**2,754,618**
Lease liability - long term portion	10	652,639	659,015
Total liabilities		**871,509**	**3,413,633**
Shareholders' Equity			
Share capital	12	6,711,326	4,526,309
Reserves	13	283,980	108,448
Deficit		(3,997,510)	(2,058,189)
Total shareholders' equity		**2,997,796**	**2,576,568**
Total liabilities and shareholders' equity		**3,869,305**	**5,990,201**
Nature of operations and going concern	1		

Approved by the Board of Directors on October 28, 2022:

"Ralph Olson" Director *"Scott Reeves"* Director

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

Doseology Sciences Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the year ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

	Note	For the year ended June 30, 2022 $	2021 $
Income			
Product sales		16,048	-
Cost of sales	6	(164,427)	-
		(148,379)	-
Expenses			
Marketing		191,383	170,247
Investor relations		174,710	-
Product development and other costs		61,720	112,409
Leasehold operating costs		31,481	92,118
Consulting fees		74,128	82,991
Management fees	11	69,125	538,120
Professional fees	11	143,733	250,986
Regulatory filing fees and listing fees	11	169,913	97,429
Office		54,063	35,761
Salaries and benefits		472,547	74,552
Share-based compensation	11,13	85,926	19,830
Loss on asset disposal	7	2,533	-
Impairment of intangible assets	8	51,208	-
Depreciation and amortization	7,8	139,534	92,834
		(1,722,004)	(1,567,277)
Other Income (expenses)			
Interest and other income		6,836	3,018
Interest accretion	10	(75,774)	(68,298)
Gain on debt settlement	12	-	6,000
Loss and comprehensive loss for the period		**(1,939,321)**	**(1,626,557)**
Loss per share – basic and diluted		(0.05)	(0.06)
Weighted average number of shares outstanding – basic and diluted		**39,097,070**	**27,888,468**

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

Doseology Sciences Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the year ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

	Number of shares	Share capital $	Reserves $	Deficit $	Total shareholders' equity $
Balance – June 30, 2020	18,500,001	1,502,600	-	(431,632)	1,070,968
Shares issued for cash	9,600,000	960,000	-	-	960,000
Units issued for cash	5,186,420	1,996,772	77,796	-	2,074,568
Share issued for acquisition of Pendulum Craft Corp. ("Pendulum")	4,400,779	376,884	-	-	376,884
Shares issed for debt settlement	20,000	2,000	-	-	2,000
Shares issued for finders fee	100,300	-	-	-	-
Share issuance costs – cash	-	(36,947)	-	-	(36,947)
Share issuance costs – finders' warrants	-	-	10,822	-	10,822
Shares returned to treasury	(2,750,000)	(275,000)	-	-	(275,000)
Share-based compensation	-	-	19,830	-	19,830
Loss for the year	-	-	-	(1,626,557)	(1,626,557)
Balance – June 30, 2021	**35,057,500**	**4,526,309**	**108,448**	**(2,058,189)**	**2,576,568**
Units issued for cash	5,942,500	2,287,394	89,606	-	2,377,000
Share issued costs – cash	-	(91,555)	-	-	(91,555)
Share issued costs – broker warrants	-	(10,822)	-	-	(10,822)
Shares issued for finders fee	100,300	-	-	-	-
Share-based compensation	-	-	85,926	-	85,926
Loss for the year	-	-	-	(1,939,321)	(1,939,321)
Balance – June 30, 2022	41,100,300	6,711,326	283,980	(3,997,510)	2,997,796

* The numbers of shares have been restated to retroactively reflect the one-for-two share consolidation taking effect on April 26, 2021 (Note 12).

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

Doseology Sciences Inc.

Consolidated Statements of Cash Flows
For the year ended June 30, 2022 and 2021
(Expressed in Canadian dollars)

	For the year ended June 30,	
	2022	**2021**
	$	**$**
Operating activities		
Loss for the year	(1,939,321)	(1,626,557)
Items not involving cash:		
Depreciation and amortization	139,534	92,834
Share-based compensation	85,926	19,830
Interest accretion	75,774	68,298
Loss on disposals	2,533	-
Impairment of intangible assets	51,208	-
Write-down of inventory	157,462	-
Gain on debt settlement	-	(6,000)
	(1,426,884)	(1,451,595)
Changes in non-cash capital items		
Receivables	(56,923)	(28,489)
Prepaid expenses and deposits	93,038	(1,087,168)
Inventories	(38,617)	(129,238)
Accounts payable ad accrued liabilities	(281,768)	328,332
Cash used in operating activities	(1,711,154)	(2,368,158)
Investing activities		
Cash acquired in acquisition of Pendulm Craft	-	109,082
Proceeds from return of investment	-	35,000
Acquisition of property and equipment	(6,128)	(145,607)
Acquisition of intangible assets	(1,747)	(24,530)
Cash used in investing activities	(7,875)	(26,055)
Financing activities		
Proceeds from share issuances	-	3,844,568
Proceeds from subscription received	-	2,377,000
Payment from shares repurchased and returned to treasury	-	(275,000)
Share issued costs	(34,871)	(93,631)
Payment from related parties	15,096	(6,096)
Repayment of lease liability	(120,304)	(60,000)
Cash provided by (used in) financing activities	(140,079)	5,786,841
Increase (decrease) in cash during the year	(1,859,108)	3,392,628
Cash – beginning of the year	3,733,524	340,896
Cash – end of the year	1,874,416	3,733,524
Non-cash transactions		
Acquisition of Pendulm Craft Corp.	-	(376,884)
Fair value of share purchase warrants	89,606	850,573
Fair value of broker warrants	10,822	8,039
Shares issued for debt settlement	-	(2,000)

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

1. Nature of operations and going concern

Doseology Sciences Inc. (the "Company"), formerly known as Pcybin Therapeutic Inc., was incorporated on July 25, 2019 under the Business Corporations Act (British Columbia). The Company's registered and records office is located at 406 – 460 Doyle Avenue, Kelowna, BC, V1Y 0C2. The Company's primary business is to improve overall health with a focus on mental health through research, development and sale of its branded functional mushroom products. The common shares of the Company trade on the Canadian Securities Exchange under the symbol "MOOD", on the Frankfurt Stock Exchange under the symbol "VU7", and on the OTCQB Venture Market under the symbol "DOSEF".

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2022, the Company had an accumulated deficit of $3,997,510 and working capital of $2,753,643. In the course of developing its business, the Company will continue to incur losses. Management intends to finance its operations with equity financings. There is a risk that additional financing may not be available on a timely basis or on terms acceptable to the Company. These uncertainties may cast significant doubt regarding the Company's ability to continue as a going concern.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements. These adjustments could be material.

2. Basis of presentation and summary of significant accounting policies

Basis of presentation and measurement

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 with interpretations of the International Financial Reporting Issues Committee ("IFRIC") for the periods presented.

These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial instruments measured at fair value. In addition, these consolidated financial statements are prepared on an accrual basis, except for cash flow information. The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency.

These consolidated financial statements were approved by the Board of Directors of the Company for issue on October 28, 2022.

Principles of consolidation

These consolidated financial statements include the financial statements of the Company and entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial operating policies of an entity so as to obtain benefits from its activities.

The consolidated financial statements include the accounts of Doseology Sciences Inc. and its wholly owned subsidiary, Dose Labs Inc. (formerly Pendulm Craft Corp.) (Note 3), collectively referred to as the "Company". The functional currency of the subsidiary is the Canadian dollar. Intercompany balances and transactions, and unrealized gains arising from intercompany transactions are eliminated in preparing these consolidated financial statements.

Details of the Company's subsidiary is as follows:

Entity	Country of Incorporation	Ownership Percentage
Dose Labs Inc.	Canada	100%

2. Basis of presentation and summary of significant accounting policies (Continued)

Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, 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 period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are as follows:

Going concern

The Company's ability to execute its strategy by funding future working capital requirements requires judgement. Estimates and assumptions are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. The factors considered by management are disclosed in Note 1.

Useful lives of property and equipment

Property and equipment are depreciated over their useful lives. Useful lives are based on management's estimate and using industry norms which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of loss and other comprehensive loss in specific periods.

Impairment

Long-lived assets, including equipment and intangibles, are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. 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 (the CGU). Judgements and estimates are required in defining a CGU and determining the indicators of impairment and the estimates required to measure an impairment, if any.

Share-based payments

The Company measures the cost of equity-settled transactions with employees and non-employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating the fair value requires determining the most appropriate inputs to the valuation model including the expected life of the instrument, volatility, risk-free interest rate and dividend yield.

Income taxes

Provisions for income 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 income tax provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the 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. Deferred tax assets are recognized where it is determined that the Company is likely to recognize their recovery from the generation of taxable income.

2. Basis of presentation and summary of significant accounting policies (Continued)

Cash

Cash comprises of cash on deposit with financial institutions.

Inventories

Inventories of finished goods, work-in-process, raw materials and supplies and consumables are valued initially at cost and subsequently at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written down to net realizable value.

Property and equipment

Property and equipment are stated at historical cost net of accumulated depreciation and any impairment losses. Depreciation is recorded over the useful lives of the assets on a straight-line basis at the following annual rates:

Leasehold improvement	10 years
Furniture and equipment	10 years
Farm equipment	5 years
Computer equipment	3 years

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for property and equipment and any changes arising from the assessment are applied by the Company prospectively.

Intangible assets

Intangible assets are stated at historical cost, net of accumulated amortization and impairment losses. Amortization is recorded on a straight-line basis over the useful lives of the assets on a straight-line basis at the following annual rate:

Trademarks	10 years

The Company conducts an annual assessment of the residual balances and useful lives for impairment purposes and any changes arising from the assessment are applied by the Company prospectively.

Revenue recognition

The Company's revenue consists of medicinal mushroom and tincture product sales. The Company sells products directly to customers and through certain ecommerce platforms and distributors. The Company recognizes revenue when performance obligations have been satisfied which includes that the products have been shipped to customers and/or distributors. Revenue is measured based on the price specified, net of trade discounts, if any, and estimated returns at the time of sale. Historical experience is used to estimate allowances for returns. Trade receivables include amounts due from distributors and ecommerce platforms and are recorded upon the sale of the products. Credit terms are extended in the normal course of business and no collateral is required. The Company estimates an allowance for doubtful accounts based on historical losses, existing economic conditions, and the financial stability of its customers. Trade receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when collected.

2. Basis of presentation and summary of significant accounting policies (Continued)

Research and development costs

Expenditures related to research activities are recognized as an expense in the period in which they are incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, the Company can demonstrate all of the following:

i. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
ii. its intention to complete the intangible asset and use or sell it;
iii. its ability to use or sell the intangible asset;
iv. how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
v. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
vi. its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs are capitalized as soon as the above criteria are met. Where no internally generated intangible asset can be recognized, development expenditures are expensed in the period in which they are incurred.

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. They are amortized on a straight-line basis over their useful life, and an impairment loss is recognized in profit or loss when their recoverable amount is less than their net carrying amount.

Financial instruments

Recognition, classification and measurement

Financial assets are classified and measured based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 *Financial Instruments* contains three primary measurement categories for financial instruments: amortized cost, fair value through other comprehensive income (“FVTOCI”), and fair value through profit and loss (“FVTPL”). Financial assets are recognized in the statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are recognized initially at fair value on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial instruments are not reclassified after their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company has classified its receivables and due from related parties as financial assets and accounts payable and accrued liabilities as financial liabilities measured at amortized cost. Such assets and liabilities are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. The effective interest method recognizes interest revenue or interest expense in profit and loss over the relevant period.

(Expressed in Canadian dollars)

2. Basis of presentation and summary of significant accounting policies (Continued)

Financial instruments (Continued)

Financial instruments carried at FVTPL are recognized at their fair value at acquisition with any directly attributable transaction costs expensed as they are incurred. Subsequent measurement requires adjustment to fair value at the date of the statement of financial position, with any remeasurement gains or losses recognized in profit and loss as they arise. Instruments classified as FVTPL during the year ended June 30, 2022 and 2021 include cash.

Financial instruments carried at FVTOCI are recognized at their fair value at acquisition inclusive of any directly attributable transactions costs. Subsequent measurement requires adjustment to fair value at the date of the statement of financial position, with any remeasurement gains or losses recognized in other comprehensive income or loss. The Company has no instruments classified as FVTOCI during the year ended June 30, 2022 and 2021.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Basis of fair value

Financial instruments that are measured after initial recognition at fair value are grouped in levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 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 (unobservable inputs).

As at June 30, 2022, the carrying values of the Company's financial instruments approximate their fair values due to their short-term maturities.

The following table sets forth the Company's financial instruments measured at fair value on a recurring basis by level within the fair value hierarchy as at June 30, 2022 and 2021:

		Level 1	Level 2	Level 3
Cash	June 30, 2022	$1,874,416	$ -	$ -
Cash	June 30, 2021	$3,733,524	$ -	$ -

The Company recognizes expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivables are measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis. The remaining financial assets are assessed collectively.

2. Basis of presentation and summary of significant accounting policies (Continued)

Impairment of financial assets

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in the statements of loss and comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

Right of Use Assets and lease liabilities

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs.

The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option, in which case a right-of-use asset is depreciated over the asset's useful life.

Warrants

The warrants are fair valued on the issuance date using the Black-Scholes option pricing model. If and when the warrants are exercised, the applicable fair value of the share-based payment reserve is transferred to share capital. Any consideration paid on the exercise of the warrants is credited to share capital.

2. Based of presentation and summary of significant accounting policies (Continued)

Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. The treasury stock method is used for the calculation of diluted income per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share is the same, as the inclusion of stock options and share purchase warrants is anti-dilutive.

Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where there are uncertain tax positions.

Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Accounting standards issued but not yet effective

The Company has reviewed the following new accounting pronouncements that have been issued but are not yet effective.

IAS 1 Classification of Liabilities as Current or Non-Current

In January 2021, the International Accounting Standards Board ("IASB") issued a narrow scope amendment to IAS 1 – Classification of Liabilities as Current or Non-Current, which affects only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. The amendment clarifies 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 specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of settlement to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendment is effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The implementation of this amendment is not expected to have a significant impact on the Company.

(Expressed in Canadian dollars)

2. Based of presentation and summary of significant accounting policies (Continued)

Accounting standards issued but not yet effective (Continued)

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued an amendment to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The amendment introduces the definition of an accounting estimate and sets criteria to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendment is effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The implementation of this amendment is not expected to have a significant impact on the Company.

3. Acquisition

On July 24, 2020, the Company entered into an agreement with Pendulm Craft Corp. ("Pendulm") whereby the Company agreed to purchase all of the outstanding common shares of Pendulm on a basis of one-half Share of the Company for each outstanding Pendulm share (the "Transaction"). On September 23, 2020, Pendulm changed its name to Dose Labs Inc. ("Dose Labs").

On September 15, 2020, the Company issued 4,098,170 common shares to the Pendulm shareholders, representing 93% of Pendulm shares tendered. On December 10, 2020, the Company issued 302,609 common shares to the Pendulm shareholders for the remaining 7% Pendulm shares that were tendered subsequent to the September 15, 2020 acquisition date. The Transaction was valued at $376,884.

The Transaction was considered a related party transaction as a major shareholder, the sole director, and officer of Pendulm Craft as at the September 15, 2020 date of acquisition is also a shareholder and a former director and officer of the Company.

The acquisition of Pendulm has been accounted for as an asset acquisition in accordance with the guidance provided in IFRS 2, *Share-based Payments,* as Pendulm does not qualify as a business according to the definition in IFRS 3, *Business Combinations*. Accordingly, the acquisition does not constitute a business combination; rather it is treated as an equity-settled share-based payment by the Company issuing common shares to purchase the net assets of Pendulm.

Net assets acquired	**$**
Cash	109,082
Due from related party	9,000
Equipment	27,974
Investment (1)	35,000
Leasehold improvements	145,000
Cannabis license costs (Note 8)	59,000
Trade accounts payable and accrued liabilities	(8,172)
	376,884
Consideration paid as purchase price	
Common shares (4,400,779 shares at $0.08 {rounded} per share)	**376,884**

(1) Dose Labs sold mining equipment to Plexus Technology Corp. ("Plexus") on April 27, 2019 in exchange for 100,000 shares of Plexus valued at $35,000. On December 22, 2020, the Company sold the Plexus shares back to Plexus for the same value at $35,000.

(Expressed in Canadian dollars)

4. Accounts receivable

	June 30, 2022 $	June 30, 2021 $
Goods and services tax credits	74,271	26,489
Trade receivables	9,752	-
Other	1,389	2,000
	85,412	28,489

5. Prepaid expenses and deposits

	June 30, 2022 $	June 30, 2021 $
Deposits on rent and utilities	5,420	5,000
Marketing and consulting	892,000	1,033,750
Insurance	35,864	5,032
Deposit on inventory purchases	-	34,806
Deposit on equipment	24,189	16,742
Retainers and others	44,819	-
	1,002,292	1,095,330

6. Inventories

	June 30, 2022 $	June 30, 2021 $
Finished products – Medicinal mushroom and tinctures	10,393	117,992
Packaging and labels	-	11,426
	10,393	129,238

During the year ended June 30, 2021, the Company recorded a write-down of inventory recorded in cost of sales of $157,462 (2021 - $nil).

(Expressed in Canadian dollars)

7. Property and equipment

	Leasehold improvements	Furniture and equipment	Farm equipment	Computer equipment	Right of use assets	Total
Cost						
Balance - June 30, 2021	$268,320	$29,398	$15,250	$5,615	$679,246	$997,829
Additions	-	6,128	-	-	103,085	109,213
Disposals	-	(892)	(169)	(2,261)	-	(3,322)
Balance - June 30, 2022	**$268,320**	**$34,634**	**$15,081**	**$3,354**	**$782,331**	**$1,103,720**
Accumulated depreciation						
Balance - June 30, 2021	(18,700)	(2,327)	(961)	(464)	(67,925)	(90,377)
Depreciation	(27,329)	(3,083)	(3,024)	(1,308)	(96,560)	(131,304)
Disposals	-	98	37	654	-	789
Balance - June 30, 2022	**(46,029)**	**(5,312)**	**(3,948)**	**(1,118)**	**(164,485)**	**(220,892)**
Carrying amounts						
Balance - June 30, 2021	$249,620	$27,071	$14,289	$5,151	$611,321	$907,452
Balance - June 30, 2022	**$222,291**	**$29,322**	**$11,133**	**$2,236**	**$617,846**	**$882,828**

8. Intangible assets

	Cannabis	Trademark	Total
Cost			
Balance – June 30, 2021	$59,000	$24,530	$83,530
Additions	-	1,747	1,747
Balance – June 30, 2022	-	**$26,277**	**$85,277**
Accumulated amortization			
Balance – June 30, 2021	(2,458)	-	(2,458)
Amortization	(14,751)	(2,896)	(17,647)
Loss on impairment *	(41,791)	(9,417)	(51,208)
Balance – June 30, 2022	-	**(12,313)**	**(71,313)**
Carrying amounts			
Balance – June 30, 2021	$56,542	$24,530	$81,072
Balance – June 30, 2022	-	**$13,964**	**$13,964**

* As of June 30, 2022, the Company impaired for accounting purposes its granted 3-year cannabis license that was issued by Health Canada on May 14, 2021. The impairment was primarily the result of the company not planning to pursue active use of the license in its operations. Additionally, as of June 30, 2022, the Company impaired for accounting purposes, certain previously capitalized trademark costs in jurisdictions that will not be actively pursued by the Company.

(Expressed in Canadian dollars)

9. Accounts payable and accrued liabilities

	June 30, 2022 $	June 30, 2021 $
Accounts payable	90,739	60,837
Accrued liabilities	26,005	20,000
Due to related parties (Note 11)	8,666	335,758
	125,410	416,595

10. Lease Liabilities

The Company has two lease liabilities with details noted below:

a) One liability relates to the lease of a farm property which commenced on July 1, 2020 for an initial 5-year term expiring on June 30, 2025 with an option to renew for an additional 5 years. The Lease liability has been calculated using an incremental borrowing rate of 10% per annum and assuming that the Company will exercise its renewal option.

The second liability relates to the lease of a commercial office property which commenced on September 1, 2021 for an initial 3-year term expiring on August 31, 2024 with an option to renew for an additional 5 years. The Lease liability has been calculated using an incremental borrowing rate of 10% per annum.

Lease liabilities	June 30, 2022 $	June 30, 2021 $
Balance, beginning	687,544	-
Addition	103,085	679,246
Less: lease payments	(120,304)	(60,000)
Interest accretion	75,774	68,298
Balance, ending	746,099	687,544
Less: Lease liabilities, current portion	(93,460)	(28,529)
Lease liabilities, long-term portion	652,639	659,015

The Company is committed to the minimum lease payments as follows:

Maturity analysis	June 30, 2022 $	June 30, 2021 $
Less than one year	163,882	96,000
One year to five years	653,487	480,000
More than five years	240,000	480,000
Total undiscounted lease liability	1,057,639	1,056,000

(Expressed in Canadian dollars)

11. Transactions with related parties

Key management personnel include directors and officers who have the authority and responsibility for planning, directing, and controlling the activities of the Company. The compensation paid to these key management personnel for the three months ended and years ended June 30, 2022 and 2021 is as below:

	Years ended	
	June 30, 2022	**June 30, 2021**
	$	**$**
Management fees	72,625	571,748
Professional fees	44,139	111,206
Listing expenses	106,756	88,630
Share-based compensation	58,850	11,961
Lease payments	96,000	60,000
Salaries and benefits	58,299	-
	436,669	843,545

During the year ended June 30, 2022, the Company incurred $19,500 (June 30, 2021 - $nil) in management fees to Ralph Olson, a director and CEO of the Company. During the year ended June 30, 2022, in addition to the preceding fees, the Company paid management fees of $24,000 (June 30, 2021 - $66,000) to Daniel Vice, a director and the Company's former CEO. In addition, for the year ended June 30, 2022, the Company incurred $25,625 (June 30, 2021 - $nil) in management fees to a consulting firm where Peter Geh, the Company's CFO, is the owner. During the year ended June 30, 2022, the Company also paid management fees of $3,500 (June 30, 2021 - $nil) to a consulting firm where Gordon Jang, a former director, is the owner. Included in accounts payable as at June 30, 2022 is $6,500 and $2,166 owing to Mr. Olson and Mr. Geh's firms respectively.

During the year ended June 30, 2022, the Company incurred professional and listing expenses of $44,139 and $106,756 (June 30, 2021 - $111,206 and $88,630) respectively to a law firm where Scott Reeves, a director of the Company, is a partner. No balance was outstanding as at June 30, 2022.

During the year ended June 30, 2022, the Company incurred net share-based compensation of $58,850 (June 30, 2021 - $11,961) to directors and officers. The net amount for June 30, 2022 is made up of $70,558 in compensation less $11,708 in reversed compensation as a result of options being forfeited (Note 13).

During the year ended June 30, 2022, the Company paid $96,000 (June 30, 2021 - $60,000) to Sungrown Organics Inc., a company which is 50% controlled by a former officer and director of the Company, for the rental of its Vernon facility. No balance was outstanding as at June 30, 2022.

During the year ended June 30, 2022, the Company paid $58,299 (June 30, 2021 - $nil) in salary, severance and related benefits to Maryam Marissen, the Company's former CEO. No balance was outstanding as at June 30, 2022.

12. Share capital

On April 27, 2021, the directors and shareholders of the Company approved the consolidation of its common shares on the basis of one (1) post-consolidation share for every two (2) pre-consolidation shares held. All references to shares and per share amounts have been retroactively restated to reflect the share consolidation.

As at June 30, 2022, the Company has 17,345,012 common shares in escrow. A total of 26,700,780 shares were escrowed due to the Company listing on the CSE.

12. Share capital (Continued)

Authorized

Unlimited number of voting common shares without par value.

Shares issued for the year ended June 30, 2022

On October 29, 2021, the Company obtained a receipt for its final non-offering, long form prospectus from the British Columbia Securities Commission. Concurrent with its prospectus filing, the Company also received approval from the Canadian Securities Exchange (the "CSE") to list the Company's common shares on the CSE. The approval resulted in the Company's previously issued 11,885,000 subscription receipts (aggregate gross proceeds of $2,377,000) to be automatically converted, without further payment, into 5,942,500 units.

Each of the converted units consisted of one common share and one warrant exercisable into a common share at $0.80 per share until March 26, 2023. The warrants were fair-valued at $89,606 calculated using the Black Scholes Option Pricing Model with the following grant-date assumptions: grant date stock price $0.10; expected life, 2 years; expected volatility, 110%; risk free rate, 0.2%; and expected dividends, 0%. The residual amount of $2,287,394 was attributed to share capital. As part of the above noted Subscription Receipts conversion, share issuance costs of $91,555 in cash were incurred and the Company issued 100,300 common shares valued at $10,300 as finders' fees and 203,800 broker warrants valued at $10,822.

Shares issued for the year ended June 30, 2021

On July 15, 2020, the Company entered into an agreement with Pendulm to acquire all of the outstanding common shares of Pendulm (Note 3). 4,098,170 and 302,609 common shares were issued on September 15, 2020 and December 10, 2020, respectively. These shares had a fair value of $376,884.

On November 10, 2020, the Company issued 20,000 shares pursuant to a debt settlement agreement for an amount payable of $8,000. The shares had a fair value of $2,000, as a result, a gain on debt settlement of $6,000 was recognized.

On December 18, 2020, the Company issued 6,600,000 shares in a non-brokered private placement at $0.10 per share for proceeds of $660,000.

On December 22, 2020, the Company issued 500,000 units in a non-brokered private placement at $0.40 per unit for proceeds of $200,000. Each unit consists of one common share and one warrant. Each warrant is exercisable into one common share at $0.80 per share until December 21, 2022. The estimated fair value of the warrants of $7,500 was calculated using the Black Scholes Option Pricing Model with the following grant-date assumptions: grant date stock price $0.10; expected life, 2 years; expected volatility, 110%; risk free rate, 0.2%; and expected dividends, 0%. The residual amount of $192,500 was attributed to the shares.

On January 1, 2021, the Company issued 3,000,000 shares in a non-brokered private placement for proceeds of $300,000.

On February 1, 2021, the Company repurchased 2,750,000 shares for total cost of $275,000.

On February 8, 2021, the Company issued 4,686,420 units in a brokered private placement at $0.40 per unit for proceeds of $1,874,568. Each unit consists of one common share and one warrant. Each warrant is exercisable into one common share at $0.80 per share until February 8, 2023. The estimated fair value of the warrants of $70,296 was calculated using the Black Scholes Option Pricing Model with the following grant-date assumptions: grant date stock price $0.10; expected life, 2 years; expected volatility, 110%; risk free rate, 0.2%; and expected dividends, 0%. The residual amount of $1,804,272 was attributed to the shares.

The Company incurred share issue costs of $36,947 during the year ended June 30, 2021.

(Expressed in Canadian dollars)

13. Reserves

Reserves includes the accumulated fair values of stock options recognized as share-based compensation and the fair value of warrants. Reserves is increased by the fair values of these items on vesting.

	Warrant reserve $	Stock option reserve $	Total $
Balance - June 30, 2020	-	-	-
Fair value of share purchase warrants	77,796	-	77,796
Fair value of broker warrants	10,822	-	10,822
Fair value of stock options	-	19,830	19,830
Balance - June 30, 2021	88,618	19,830	108,448
Fair value of share purchase warrants	89,606	-	89,606
Fair value of stock options	-	85,926	85,926
Balance - June 30, 2022	**178,224**	**105,756**	**283,980**

Stock options

On April 16, 2021, a total of 3,050,000 stock options were granted to directors, officers, and employees with an exercise price of $0.40 per share and an expiry date of April 16, 2026. The fair value of the options granted was calculated using the Black-Scholes pricing model with the following assumptions: stock price of $0.10, expected life of 3.5 years, expected volatility of 110%, dividend yield of 0% and risk-free interest rate of 0.61%. The Company estimated the volatility based on historical share prices of comparable companies.

In October 2021, the Company cancelled 100,000 stock options to a former officer and then subsequently re-issued 400,000 stock options to the same officer with an exercise price of $0.40 per share. The fair value of the options granted was calculated using the Black-Scholes pricing model with the following assumptions: stock price of $0.10, expected life of 3.5 years, expected volatility of 110%, dividend yield of 0%, risk-free interest rate of 0.61%. The Company estimated the volatility based on historical share prices of comparable companies.

In January 2022, 450,000 and 50,000 stock options were forfeited by a former director and officer and a former consultant of the Company respectively. In addition, the Company granted 200,000 stock options with an exercise price of $0.40 per share to the Company's CEO. On February 28, 2022, the 200,000 options issued were forfeited as a result of the CEO's departure from the Company.

On May 4, 2022, a total of 600,000 stock options were granted to directors, officers, and employees with an exercise price of $0.10 per share and an expiry date of May 4, 2027. The fair value of the options granted was calculated using the Black-Scholes pricing model with the following assumptions: stock price of $0.07, expected life of 3.5 years, expected volatility of 127%, dividend yield of 0% and risk-free interest rate of 2.90%. The Company estimated the volatility based on its own historical share prices and historical prices of a group of comparable companies.

During the year ended June 30, 2022, the Company recognized net share-based compensation of $85,926 (June 30, 2021 - $19,830). The net share-based compensation is offset against $12,721 in reversed share-based compensation expense as a result of the above noted cancellations and forfeitures.

(Expressed in Canadian dollars)

13. Reserves (Continued)

Stock options (Continued)

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price ($)
Balance - June 30, 2020	-	-
Issued	3,050,000	0.40
Balance - June 30, 2021	3,050,000	0.40
Forfeited	(1,200,000)	(0.40)
Issued	1,200,000	0.25
Balance - June 30, 2022	**3,050,000**	**0.34**

As at June 30, 2022, the Company's outstanding stock options were as follows:

Number of options	Exercise price ($ per share)	Expiry date	Weighted average remaining life (years)
2,450,000	0.40	April 14, 2026	3.79
600,000	0.10	May 4, 2027	4.85
3,050,000	**0.34**		**4.00**

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price ($)
Balance - June 30, 2020	5,000,000	0.16
Issued	5,390,220	0.80
Balance - June 30, 2021	10,390,220	0.49
Issued	5,942,500	0.80
Balance - June 30, 2022	**16,332,720**	**0.60**

As at June 30, 2022, the Company's outstanding warrants were as follows:

Number of warrants	Exercise price ($ per share)	Expiry date	Weighted average remaining life (years)
5,000,000	0.16	June 1, 2025	2.92
30,000	0.80	March 31, 2023	0.75
173,800	0.80	March 26, 2023	0.74
4,686,420	0.80	February 8, 2023	0.61
500,000	0.80	December 22, 2022	0.48
5,942,500	0.80	November 1, 2023	1.34
16,332,720	**0.60**		**1.58**

14. Financial instruments

Fair value

IFRS 13, *Fair Value Measurement*, establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 13 prioritizes the inputs into three levels that may be used to measure fair value. The following table summarizes the carrying and fair value of the Company's financial instruments. The fair values of these financial instruments approximate their carrying values mostly because of their current nature.

	June 30, 2022 $	**June 30, 2021 $**
Cash *	1,874,416	3,733,524
Accounts receivable	85,412	28,489
Due from related parties	-	15,096
Accounts payable and accrued liabilities	125,410	416,595
Lease liability	746,099	687,544

* Cash is classified as fair value through profit and loss, all other financial instruments are classified as amortized cost. Interest income, interest expense, and gains and losses from financial assets and financial liabilities classified at amortized cost are recognized in the statement of loss and comprehensive loss.

Risks arising from financial instruments and risk management

a) Credit risk

Credit risk is the risk of loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

b) Foreign exchange risk

Foreign exchange risk arises from fluctuations in the future cash flows of a financial instrument because of changes in foreign exchange rates. The Company is not subject to significant foreign exchange rate risk as predominately all its transactions occur in Canadian dollars.

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The observable impacts on the fair value and future cash flows of financial instruments that can be directly attributable to interest rate risk include changes in profit or loss from financial instruments whose cash flows are determined with reference to floating interest rates and potential changes in value of financial instruments whose cash flows are fixed in nature. The Company does not have any financial liabilities with floating interest rates and accordingly is not exposed to cash flow risk.

d) Liquidity and funding risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at June 30, 2022, the Company had a cash balance of $1,874,416 to settle the current liabilities of $218,870 which are due on demand or within 1 year. Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions.

(Expressed in Canadian dollars)

15. Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders (Note 1). The capital structure of the Company consists of equity comprising issued share capital, reserves, and deficit.

The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other financing activities as deemed appropriate under specific circumstances.

The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged for the year ended June 30, 2022.

16. Income taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	June 30, 2022 $	June 30, 2021 $
Loss for the year	1,939,321	1,626,557
Canadian statutory income tax rate	27%	27%
Expected income tax recovery at statutory rate	(523,617)	(439,170)
Adjusted by tax effect of:		
Non-deductible items	23,463	23,934
True ups and other	(1,709)	(10,333)
Changes in unrecognized deferred tax assets	501,863	425,570
Income tax provision	-	-

The significant components of deferred income taxes are as follows:

	June 30, 2022 $	June 30, 2021 $
Unrecognized deductible temporary differences:		
Non-capital losses carried forward	451,288	454,094
Other liabilities	(14,048)	(20,580)
Capital and intangible assets	11,918	(26,819)
Share issuance costs	52,695	18,875
	501,863	425,570
Less: Unrecognized deferred income tax assets	(501,863	(425,570)
Net deferred income tax assets	-	-

As at June 30, 2022, the Company has cumulative non-capital losses carried forward of $3,766,260 (June 20, 2021 - $1,710,051) which are available to offset future years' taxable income and starts to expire in 2040. No deferred tax asset has been recognized in relation to these losses. As at June 30, 2022, the Company has a $1,043,973 (June 30, 2021 - $542,110) unrecognized net deferred tax asset.