PODA HOLDINGS, INC.

(FORMERLY PODA LIFESTYLE AND WELLNESS LTD.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRTEEN MONTHS ENDED FEBRUARY 28, 2022 AND THE TWELVE MONTHS ENDED JANUARY 31, 2021

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Poda Holdings, Inc. (Formerly PODA Lifestyle & Wellness Ltd.).

Opinion on the financial statements

We have audited the accompanying consolidated financial statements of Poda Holdings, Inc. (Formerly PODA Lifestyle & Wellness Ltd.) which comprise the statements of financial position as at February 28, 2022 and January 31, 2021, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the thirteen months ended February 28, 2022 and the twelve months ended January 31, 2021, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at as at February 28, 2022 and January 31, 2021, and its financial performance and its cash flows for the thirteen months ended February 28, 2022 and the twelve months ended January 31, 2021, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits 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 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.

Other Information

Management is responsible for the other information, which comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and do not and will not express any form of assurance conclusion thereon. In connection with our audits 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 and remain alert for indicators that the other information appears to be materially misstated.

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. 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 these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 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 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 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 Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia

June 28, 2022

PODA HOLDINGS, INC.
(FORMERLY PODA LIFESTYLE AND WELLNESS LTD.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

	February 28, 2022	January 31, 2021
	$	$
ASSETS		
Current		
Cash	**13,235,203**	11,758
GST and taxes recoverable	**377,586**	7,725
Prepaid expenses and deposits	**73,861**	-
Advances receivable (Note 7)	**225,000**	-
	13,911,650	19,483
Intangible assets (Note 5)	**1**	1
	13,911,651	19,484
LIABILITIES		
Current		
Accounts payable (Note 7)	**625,184**	506,379
RSU liability (Note 9)	**289,800**	-
Loans payable	**-**	125,000
Deferred revenue	**-**	74,984
Due to a former related party (Note 7)	**-**	2,086,106
	914,984	2,792,469
Non-current		
Convertible notes (Note 11)	**604,507**	573,877
Loans payable (Note 12)	**-**	60,000
	1,519,491	3,426,346
EQUITY (DEFICIENCY)		
Share capital (Note 9)	**24,564,398**	630,160
Contributed surplus	**4,167,053**	1,207,010
Equity portion of convertible note	**-**	48,049
Deficit	**(16,339,291)**	(5,292,081)
	12,392,160	(3,406,862)
	13,911,651	19,484

NATURE OF OPERATIONS (Note 1)
SUBSEQUENT EVENTS (Note 15)

Approved and authorized for issuance on behalf of the Board on June 28, 2022:

/s/ Ryan Selby, Director   */s/ Aaron Bowden,* Director

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

PODA HOLDINGS, INC.
(FORMERLY PODA LIFESTYLE AND WELLNESS LTD.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	For the thirteen months ended February 28, 2022	For the twelve months ended January 31, 2021
	$	$
EXPENSES		
Accretion and interest expense	**68,800**	84,781
Advertising and promotion	**2,325,937**	2,129
Bank services charges	**7,399**	-
Legal fees	**710,836**	-
Listing expense (Note 8)	**4,048,732**	-
Management fees (Note 7)	**2,070,070**	128,200
Meals and entertainment	**17,729**	-
Office and miscellaneous	**88,892**	31,323
Professional fees	**133,259**	122,016
Research and development	**383,545**	-
Rent	**31,650**	-
Share-based compensation (Note 9)	**447,648**	31,662
Travel and entertainment	**68,822**	1,650
Transfer agent	**137,018**	-
Wages	**373,681**	-
	(10,914,018)	(401,761)
Impairment of intangible asset (Note 5)	**-**	(3,481,849)
Impairment of deposit (Note 6)	**-**	(112,588)
Other income (expenses)	**(368,769)**	(28,495)
Foreign exchange gain	**215,577**	-
Forgiveness of government loan (Note 12)	**20,000**	-
Net and comprehensive loss for the period	**(11,047,210)**	(4,024,693)
Loss per share (basic and diluted)	**(0.26)**	(0.09)
Weighted average number of common shares outstanding	**43,059,442**	42,783,920

PODA HOLDINGS, INC.
(FORMERLY PODA LIFESTYLE AND WELLNESS LTD.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

FOR THE THIRTEEN MONTHS ENDED FEBRUARY 28, 2022 AND THE TWELVE MONTHS ENDED JANUARY 31, 2021

(Expressed in Canadian Dollars)

	Number of shares						
	Common	**Preferred**	**Amount**	**Contributed Surplus**	**Equity Portion of Convertible Notes**	**Deficit**	**Total**
			$	**$**	**$**	**$**	**$**
Balance as at January 31, 2020	42,783,920	-	630,160	1,175,348	35,385	(1,267,388)	573,505
Share-based compensation	-	-	-	31,662	-	-	31,662
Convertible note	-	-	-	-	12,664	-	12,664
Comprehensive loss	-	-	-	-	-	(4,024,693)	(4,024,693)
Balance as at January 31, 2021	**42,783,920**	**-**	**630,160**	**1,207,010**	**48,049**	**(5,292,081)**	**(3,406,862)**
Preferred shares issued in exchange for common shares of Poda Technologies Ltd.	(42,783,920)	42,784	-	-	-	-	-
Deemed fair value of common shares and warrants held by existing shareholders upon completion of RTO	30,025,001		3,002,500	1,611,228	-	-	4,613,728
Preferred shares issued for debt settlement		20,862	2,086,193	-	-	-	2,086,193
Common shares issued for debt settlement	3,595,285	-	359,528	-	-	-	359,528
Private placements	16,576,943	-	20,603,860	-	-	-	20,603,860
Share issuance costs	-	-	(2,473,049)	1,199,073			(1,273,976)
Shares issued upon conversion of debentures	4,500,000	-	212,500	-	-	-	212,500
Exercise of warrants	1,250,000	-	125,000	-	-	-	125,000
Exercise of stock options	60,000		17,706	(8,106)	-	-	9,600
Share-based compensation	-	-	-	157,848	-	-	157,848
Convertible note	-	-	-	-	(48,049)	-	(48,049)
Comprehensive loss	-	-	-	-	-	(11,047,210)	(11,047,210)
Balance as at February 28, 2022	**56,007,229**	**63,646**	**24,564,398**	**4,167,053**	**-**	**(16,339,291)**	**12,392,160**

PODA HOLDINGS, INC. (Formerly PODA LIFESTYLE AND WELLNESS LTD.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	For the thirteen months ended February 28, 2022	For the twelve months ended January 31, 2021
	$	**$**
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	**(11,047,210)**	(4,024,693)
Items not affecting cash		
Forgiveness of government loan	**(20,000)**	-
Impairment of intangible asset	**-**	3,481,849
Impairment of deposit	**-**	112,588
Interest and accretion	**68,800**	20,384
Listing expense	**4,048,732**	-
Share-based compensation	**157,848**	31,662
Changes in non-cash working capital balances:		
GST and taxes recoverable	**(340,838)**	3,366
Prepaid expenses and deposits	**(73,861)**	7,878
Accounts receivable	**873,036**	-
RSU liability	**289,800**	-
Deferred Revenue	**(74,984)**	67,219
Accounts payable	**56,467**	323,467
Cash provided (used) by operating activities	**(6,062,210)**	23,720
INVESTING ACTIVITIES		
Intangible assets	**-**	(361,674)
Cash acquired upon RTO transaction	**34,220**	-
Deposit	**-**	(18,088)
Cash provided (used) in investing activities	**34,220**	(379,762)
FINANCING ACTIVITIES		
Proceeds from convertible note	**(48,049)**	150,000
Proceeds from exercise of warrants	**125,000**	-
Proceeds from exercise of options	**9,600**	-
Proceeds from issuance of common stock	**19,329,884**	-
CEBA Loan	**(40,000)**	-
Loans received	**(125,000)**	185,000
Cash provided (used) by financing activities	**19,251,435**	335,000
CHANGE IN CASH DURING THE PERIOD	**13,223,445**	(21,042)
CASH, BEGINNING OF PERIOD	**11,758**	32,800
CASH, END OF PERIOD	**13,235,203**	11,758

Supplementary Cash Flow Information (Notes 8 and 9)

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

1. NATURE OPERATIONS

Poda Holdings, Inc. (formerly PODA Lifestyle & Wellness Ltd. or the "Company") was incorporated in the Province of British Columbia on July 6, 2018, under the Business Corporations Act of British Columbia ("BCBCA") under the name Gamora Capital Corp. On March 11, 2021, the Company changed its name to PODA Lifestyle & Wellness Ltd. On September 27, 2021, the Company changed its name to PODA Holdings, Inc. The Company's principal business activity is the design, development and production of a new and improved heat-not-burn technology for the consumption of tobacco and other materials.

The Company's head office is located at 666 Burrard St, Vancouver, BC V6C 2Z7.

The accompanying consolidated financial statements comprise the financial statements of the Company and its legal subsidiaries. The Company and Poda Technologies Ltd. ("Poda") entered into an Arrangement Agreement (Note 8) on February 8, 2021, pursuant to which the Company, by way of a court approved plan of arrangement under the provisions of Division 5 of Part 9 of the BCBCA acquired all of the issued and outstanding common and preferred shares of Poda in exchange for Preferred Shares to be issued as consideration pursuant to the Plan of Arrangement (the "Arrangement").

The Arrangement resulted in the shareholders of Poda acquiring control of the Company (the "Transaction"). The Transaction has been accounted for as a reverse take-over ("RTO"). Therefore, the Transaction, has been accounted for as an acquisition of the Company by Poda. As the Company does not meet the definition of a business as defined by International Financial Reporting Standards ("IFRS") 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements, including IAS 34, Financial Reporting. In preparation of these consolidated financial statements, the Company has consistently applied the same accounting policies disclosed in the Poda's audited annual financial statements (see Note 8), with the exception of the new accounting standards adopted in the current year, as described below.

These consolidated financial statements were authorized for issue by the Board of Directors on June 28, 2022.

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as disclosed in Note 3.

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

c) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the subsidiaries controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

Company	Place of Incorporation	Percentage of ownership
Poda Technologies Ltd.	Canada	100%
Poda Tobacco, Inc.	Canada	100%
Poda Alternatives, Inc.	Canada	100%
Poda Research & Development, Inc.	Canada	100%
Poda CBD, Inc.	Canada	100%
Poda THC, Inc.	Canada	100%
Poda Therapeutics, Inc.	Canada	100%

3. SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting estimates and judgements

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Significant accounting estimates

i. the measurement of deferred income tax assets and liabilities; and
ii. inputs used in the measurement of share-based compensation.

Significant accounting judgment

i. the evaluation of the Company's ability to continue as a going concern;
ii. the evaluation on whether or not an acquisition of a business is considered a business combination or an asset acquisition;
iii. assessment of indications of impairment; and
iv. the determination of categories of financial assets and financial liabilities.

b) Income taxes

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

c) Financial instruments

Financial assets

On initial recognition financial assets are classified as measured at:

i. Amortized cost;

ii. Fair value through other comprehensive income ("FVOCI"); and

iii. Fair value through profit and loss ("FVTPL").

Financial assets are not reclassified subsequent to 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.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification:

i. Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company does not have any assets classified at amortized cost.

ii. FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company does not have any assets classified at FVOCI.

iii. FVTPL

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Consolidated Statement of Loss and Comprehensive Loss in the period in which it arises.

The Company's cash is classified at FVTPL.

Financial Liabilities and Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as measured at (i) FVTPL; or (ii) amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI and the remaining amount of the change in the fair value is presented in profit or loss.

The Company does not classify any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The Company classifies its accounts payable, loans payable, amounts due to former related parties and convertible notes at amortized cost.

A financial liability is derecognized when the contractual obligation under the liability is discharged, cancelled or expires or its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

c) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued.

The Company has adopted the residual method with respect to the measurement of common shares and warrants issued as equity units. Warrants that are part of units are assigned a value based on the residual value, if any, and included in the reserves.

e) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Basic and diluted loss per share is the same for the periods presented.

f) Impairment of long-lived assets

Long-lived assets, including intangible assets are reviewed for 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 cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

g) Intangible assets

Intangible assets consist mainly of trademarks, pending patents and prototype development costs, including certain intellectual property. Acquired trademarks, patents and development costs are carried at cost less accumulated amortization and impairment. Intangible assets with indefinite lives are not amortized but are tested annually for impairment. Any impairment of intangible assets is recognized in the statement of operation and comprehensive loss but increases in intangible asset values are not recognized.

Estimated useful lives of intangible assets are shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

h) Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

i) Share-based payments

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

(Expressed in Canadian Dollars)

j) Business acquisitions

The Company assesses whether an acquisition should be accounted for as an asset acquisition or a business combination under IFRS 3 Business Combinations. This assessment requires management to make judgments on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business and the Company obtains control of the business inputs and processes.

k) Convertible debt

Convertible debentures, where applicable, are separated into their liability and equity components using the effective interest method. The fair value of the liability component at the time of the issue is determined based on an estimated interest rate of the debentures without the conversion feature. The fair value of the equity component is determined as the difference between the face value and the fair value of the liability component.

4. ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its financial statements would not be significant.

5. INTANGIBLE ASSETS

	Development Costs	License	Total
	$	$	$
Balance, January 31, 2020	2,891,460	228,716	3,120,176
Additions	242,860	118,814	361,674
Impairment	(3,134,319)	(347,530)	(3,481,849)
Balance, January 31, 2021	1	-	1
Additions	-	-	-
Balance, February 28, 2022	1	-	1

As at February 28, 2022, the intangible assets relate to the Company's vaporizer prototype and a license agreement for the vaporizer technology.

During the period ended January 31, 2021, the Company completed its annual assessment of the recoverable amount of the intangible assets and determined that the recoverable amount was lower than the carrying value. Accordingly, the Company recorded an impairment loss of $3,481,849 to recognize its recoverable amount. No changes or adjustments related to the recoverability of the intangible assets occurred during the period ended February 28, 2022.

6. PREPAID EXPENSES AND DEPOSITS

As at February 28, 2022, the Company had a balance of $73,861 in prepaid expenses pertaining to advertising and consulting agreements paid for in advance.

In prior periods, the Company had a balance that consisted of amounts paid per the terms of a non-binding letter of intent to form a joint venture for the purpose of developing, constructing, operating, maintaining, and managing a facility which will manufacture and distribute the Company's patented heat-not-burn pods exclusively for the Company.

(Expressed in Canadian Dollars)

During the period ended January 31, 2021, the Company wrote-off the deposit amount in full $112,588 to recognize the economic uncertainty related to forming the joint venture. There have been no subsequent changes to this balance as at February 28, 2022.

7. RELATED PARTY BALANCES AND TRANSACTIONS

All related party transactions have occurred in the normal course of operations. Related party transactions occur and are recorded at the amounts agreed between the parties.

Poda had amounts payable to Invictus MD Strategies Corp. ("Invictus") of $2,086,106. Concurrent with the Transaction, Poda completed an assignment agreement (Note 8) with the Company. Pursuant to the Assignment Agreement, Poda assigned $2,086,106 amounts payable to the Company. The Company issued 20,862 preferred shares to settle the amounts payable of $2,086,106. Each preferred share entitles the holder to a restricted right to convert one preferred share into 1,000 common shares upon certain events or automatically on the following terms: [i] 10% after 12 months from the Effective Date of the Arrangement and [ii] 15% every 3 months thereafter.

On April 12, 2019, the Company acquired the rights to additional vaporizer-related intellectual property from the original founders of the Company (the "Inventors") on the terms and conditions set forth in an amended and restated royalties' agreement (the "Amended Agreement"). The Inventors and the Company previously entered into a royalties agreement dated April 19, 2015 (the "Original Agreement"), pursuant to which the Company agreed to pay royalties to the Inventors in the amount of 3% of the Company's gross revenues in relation to the commercialization of certain inventions (the "Original Inventions"). Since that time, the Inventors have developed certain additional vaporizer-related inventions (the "New Inventions") and in accordance with the terms and conditions of the Amended Agreement, the Company is granted a royalty-bearing exclusive license to commercialize, use, and sublicense the Original Inventions and the New Inventions. In exchange for the additional rights granted to the Company under the Amended Agreement, the Company has assigned the ownership of certain patents back to the Inventors and the royalty payable by the Company has been increased from 3% to 4.5%. The fair value of the patents assigned back to the Inventors was $146,583.

Key management compensation

Key management is comprised of the Company's directors and executive officers. The Company incurred the following key management compensation during the periods ended February 28, 2022 and January 31, 2021:

	2022	2021
	$	$
Consulting and management fees	**1,004,239**	161,220
Share-based compensation	**19,650**	-
	1,023,889	161,200

As at February 28, 2022, accounts payable includes $nil (January 31, 2021 - $347,798) due to the directors of the Company. As at February 28, 2022, the Company has advanced $225,000 (January 31, 2021 - $Nil) to a director. The amount has been repaid subsequent to year-end. The amounts are unsecured, non-interest bearing, and due on demand.

(Expressed in Canadian Dollars)

8. ARRANGEMENT AGREMEENT AND REVERSE TAKEOVER TRANSACTION

Pursuant to the Arrangement and Transaction described in Note 1, Poda shareholders received preferred shares at a ratio of one preferred share of the Company for every 1,000 shares held of Poda. Preferred shares entitle each holder to a restricted right to convert one preferred share into 1,000 common shares of the Company upon certain events or automatically on the following terms: (i) 10% after twelve (12) months from approval of the Arrangement and (ii) 15% every three (3) months thereafter. The Company and Poda obtained the required shareholder and regulatory approvals on April 23, 2021, resulting in 42,784 preferred shares issued which are convertible into 42,784,000 common shares.

The acquisition of Poda is accounted for as a reverse takeover, whereby, Poda is deemed to be the acquirer and the Company is deemed to be the acquire for accounting purposes. The Transaction constitutes an asset acquisition as the Company did not meet the definition of a business as defined in IFRS 3, Business Combinations. As a result, the Transaction is accounted for in accordance with IFRS 2, Share-based Payments whereby Poda is deemed to have issued shares in exchange for the net assets of the Company, together with its listing status at the fair value of the consideration deemed received by the Company's shareholders and the share capital of the Company is eliminated as a result of the acquisition. The consolidated financial statements of the combined entity are issued under the legal parent, the Company, but are considered a continuation of the financial statements, assets and operations of the legal subsidiary, Poda.

The listing expense of $4,048,732 is comprised of the fair value of the common shares of the Company retained by the former shareholders of the Company, along with warrants held, and other direct expenses of the transaction less the fair value of the net assets of the Company that were acquired in the Transaction, and is summarized as follows:

	$
Common shares deemed to be issued (30,025,001 shares at $0.10)	3,002,500
Warrants deemed to be issued	1,611,228
	4,613,728
Net assets of the Company:	
Cash	34,220
Accounts receivable	902,059
Accounts payable	(371,283)
	564,996
Listing expense	**4,048,732**

9. SHARE CAPITAL

Authorized Share Capital

The Company has an unlimited number of common shares and preferred shares without par value authorized for issuance.

Share Transactions

The Company issued the following shares during the thirteen months ended February 28, 2022:

(i) Pursuant to the Transaction described in Note 8, the Company issued 42,784 preferred shares to the former Poda Shareholders and Poda became a wholly owned subsidiary of the Company.

(ii) The Company completed a private placement and issued 2,500,000 units at a price of $0.40 per unit, for gross proceeds of $1,000,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant is exerciseable by the holder to purchase one common share at an exercise price of $0.50 for a period of 24 months from the grant date.

(iii) The Company completed a private placement and issued 6,576,943 units at a price of $0.70 per unit, for gross proceeds of $4,603,860. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant is exerciseable by the holder to purchase one common share at an exercise price of $1.00 for a period of 24 months from the grant date. In connection with the private placement, share issuance costs paid in cash were $256,095. Additionally, the Company issued 351,849 finders’ warrants at the same terms.

(iv) The Company completed a private placement and issued 7,500,000 units at a price of $2.00 per unit, for gross proceeds of $15,000,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant is exercisable by the holder to purchase one common share at an exercise price of $2.50 for a period of 36 months from the grant date. In connection with the private placement, share issuance costs paid in cash were $1,017,881. Additionally, the Company issued 525,000 finders’ warrants at the same terms.

(v) Certain holders of convertible notes converted their convertible notes and interest accrued to date totaling $212,500 into 4,500,000 common shares of the Company.

(vi) The Company issued 1,250,000 and 60,000 common shares for gross proceeds of $125,000 and $17,706 pursuant to the exercise of share purchase warrants and stock options, respectively.

(vii) The Company settled liabilities totaling $359,528 through the issuance of 3,595,285 common shares of the Company.

(Expressed in Canadian Dollars)

Warrants

Movements in the number of warrants outstanding and their related weighted average exercise prices are as follows:

	Number of warrants	Weighted average exercise price $
Outstanding, January 31, 2021	-	-
Deemed granted upon reverse take-over	27,000,000	0.10
Granted	12,915,321	1.88
Exercised	(1,250,000)	(0.10)
Outstanding, February 28, 2022	38,665,321	0.70

Warrants outstanding and exercisable as at February 28, 2022 are as follows:

Number of Warrants				
Outstanding	Exercisable	Exercise Price	Expiry Date	Contractual Life of Warrants Remaining
25,750,000	25,750,000	$0.10	December 9, 2023	1.78 years
1,250,000	1,250,000	$0.50	May 20, 2023	1.22 years
3,288,472	3,288,472	$1.00	June 24, 2021	1.32 years
351,849	351,849	$1.00	June 24, 2021	1.32 years
7,500,000	7,500,000	$2.50	August 4, 2021	2.43 years
525,000	525,000	$2.50	August 4, 2021	2.43 years
38,665,321	37,415,321	$0.70		1.65 years

As at February 28, 2022, 38,665,321 warrants are outstanding with a weighed average exercise price of $0.70 and a weighted average remaining contractual life of 1.65 years.

The fair values of the finders' warrants were estimated as at the date of the grant using the Black-Scholes option pricing model, with the following assumptions and resulting fair values:

	June 24, 2021	August 4, 2021
Risk-free interest rate	0.44%	0.39%
Expected life of the warrants	2 years	3 years
Annualized volatility	125%	125%
Dividend Rate	0.00%	0.00%
Grant date common share fair value	$0.92	$1.67

Stock options

The Company has adopted a rolling incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to Directors, officers, employees or consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 15% of the issued and outstanding common shares of the Company. Options and RSU's granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

On March 30, 2021, the Company granted a total of 550,000 incentive stock options to advisors and other eligible persons of the Company. The options are exercisable, subject to vesting provisions, over a period of five years at a price of $0.10 per share.

(Expressed in Canadian Dollars)

On November 1, 2021, the Company granted a total of 400,000 incentive stock options to advisors and other eligible persons of the Company. The options are exercisable, subject to vesting provisions, over a period of five years at a price of $0.56 per share.

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

	Number of options	Weighted average exercise price $
Outstanding, January 31, 2021	4,912,179	0.14
Granted	1,500,000	0.22
Exercised	(60,000)	(0.16)
Forfeitures and cancellations	(987,134)	(0.18)
Expired	(831,855)	(0.16)
Outstanding, February 28, 2022	4,533,190	0.18

Stock options outstanding and exercisable as at February 28, 2022 are as follows:

Number of Stock Options				
Outstanding	Exercisable	Exercise Price	Expiry Date	Contractual Life of Warrants Remaining
2,933,190	2,933,190	$0.16	March 15, 2024	2.04 years
100,000	100,000	$0.16	October 31, 2025	3.67 years
600,000	600,000	$0.10	January 15, 2026	3.88 years
500,000	500,000	$0.10	March 30, 2026	4.08 years
400,000	400,000	$0.56	November 1, 2026	4.68 years
4,533,190	4,533,190			

As at February 28, 2022, 4,533,190 stock options are outstanding with a weighed average exercise price of $0.18 and a weighted average remaining contractual life of 2.3 years.

(Expressed in Canadian Dollars)

The fair values of the stock options were estimated as at the date of the grant using the Black-Scholes option pricing model, with the following assumptions and resulting fair values:

	March 30, 2021	November 1, 2021
Risk-free interest rate	0.94%	1.60%
Expected life of the warrants	5 years	5 years
Annualized volatility	125%	125%
Dividend Rate	0.00%	0.00%
Grant date common share fair value	$0.08	$0.47

For the period ended February 28, 2022, the Company recognized share-based compensation of $157,848 (2021: $31,662) related to stock options granted and vested during the period.

<u>Restricted Share Units ("RSUs")</u>

On June 28, 2021, the Company granted an aggregate of 485,000 restricted share units to a consultant. The RSUs vest as follows: (a) 240,000 six months following the date of grant, and (b) 245,000 twelve months following the date of grant.

On July 6, 2021, the Company granted an aggregate of 435,000 restricted share units to an advisor. The RSUs vest as follows: (a) 215,000 six months following the date of grant, and (b) 220,000 twelve months following the date of grant.

On July 14, 2021, the Company granted an aggregate of 50,000 restricted share units to an advisor. The RSUs vest as follows: (a) 25,000 six months following the date of grant, and (b) 25,000 twelve months following the date of grant.

On August 9, 2021, the Company granted an aggregate of 40,000 restricted share units to an advisor. The RSUs vest as follows: (a) 20,000 six months following the date of grant, and (b) 20,000 twelve months following the date of grant.

The RSUs granted entitle the holder to receive a payout with respect to the vested RSUs within 60 days of vesting. As at and for the period ended February 28, 2022, the Company has recorded a liability of $289,800 on the statement of financial position, and a corresponding share-based compensation expense on the statement of comprehensive loss which represents the fair value of the RSUs based on the market price as of the date of vesting or period-end.

10. FINANCIAL INSTRUMENTS AND RISKS

Fair values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at February 28, 2022 and January 31, 2021, as follows:

		February 28, 2022		
	Carrying value $	Level 1 $	Level 2 $	Level 3 $
Cash	13,235,203	13,235,203	-	-

		January 31, 2021		
	Carrying value $	Level 1 $	Level 2 $	Level 3 $
Cash	11,758	11,758	-	-

The fair values of other financial instruments, which include accounts receivable, accounts payable, RSU liability, convertible note and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit risk

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure on any outstanding accounts receivable. The carrying amount of financial assets represents the maximum credit exposure.

Currency risk

Currency risk is the risk that changes in foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The Company is exposed to currency risk as it holds cash denominated in United States Dollars totaling $9,689,318 USD. A change in the foreign exchange rate of 10% will result in an impact of $1,230,000 CAD.

Interest rate risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
(ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. The Company's amounts due to related parties are non-interest bearing.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

11. CONVERTIBLE NOTES

On October 23, 2019, Poda issued convertible debenture for gross proceeds of up to $550,000. The debenture bears interest at 12% and is secured against the personal property of Poda. In the event that Poda earns a profit during any fiscal quarter, the debenture holders shall have the option to require Poda to prepay a portion of the principal amount and accrued interest amount and in an amount equal to up to 20% of the amount of profit for such quarter. At any time prior to the maturity date of the convertible debenture, the debenture holders have the option to convert any portion of the outstanding principal amount and accrued interest amount at the lower conversion rate of: i) 1 common share of Poda for $0.05 of the principal amount plus accrued interest amount remaining due or ii) 20% discount to the price per share for the most recent financing. On the maturity date, the balance of the principal amount shall automatically be converted into shares of Poda at the lower conversion rate of i) 1 common share of Poda for $0.05 of the principal amount remaining due or ii) 20% discount to the most recent financing prior to the maturity date. The debenture matures thirty-six (36) months from the date of closing of the financing on October 23, 2019 and is payable on demand after maturity. Interest expense of $35,938 (2021 - $64,397) was expensed to the consolidated statements of comprehensive loss during the period ended February 28, 2022. As at February 28, 2022, the Company had received an aggregate principal amount of $550,000 (2021 - $550,000) and converted $200,000 of the balance to common shares (Note 9), leaving an outstanding principal and interest balance payable of $429,507.

On December 9, 2020, the Company issued an unsecured convertible debenture for gross proceeds of $187,500. The debenture bears interest at 1% and matures thirty-six (36) months from the date of closing of the financing on December 9, 2020 and is payable on demand after maturity. At any time prior to the maturity date of the convertible debenture, the debenture holder has the option to convert any portion of the outstanding principal amount and accrued interest amount at the lower conversion rate of 1 common share of the Company for $0.025 of the principal amount plus accrued interest amount remaining due. The holders were issued an aggregate of 7,500,000 Common Share purchase warrants with an exercise price of $0.10 for every common share issued expiring three years from date of issuance. As at February 28, 2022, the Company had converted $12,500 of the balance to common shares (Note 9), leaving an outstanding principal and interest balance of $175,000.

12. LOANS PAYABLE

(i) On August 15, 2020, the Company received a loan from the Canadian government's Canada Emergency Business Account ("CEBA") Program in the amount of $40,000. On December 15, 2020, the Company received an additional CEBA Loan in the amount of $20,000 under the CEBA Loan expansion programs.

The CEBA is a government guaranteed loan that is interest-free and partially forgiveable if paid on or before December 31, 2023. If repaid on or before December 31, 2023, it would result in a loan forgiveness of up to 33 percent. The loan is available to help businesses with operating costs during COVID-19. The Company paid back $40,000 of the in February 2022 and as a result, $20,000 was forgiven.

(Expressed in Canadian Dollars)

13. CAPITAL MANAGEMENT

The Company manages its capital to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of all components of shareholders' equity.

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

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the period ended February 28, 2022.

14. 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:

	2022	2021
	$	$
Canadian statutory income tax rate	**27.0%**	27.0%
Income tax recovery at statutory rate	**(2,983,000)**	(1,087,000)
Tax effect of:		
Permanent and other differences	**947,000**	331,000
Change in unrecognized deferred income tax assets	**2,036,000**	756,000
Deferred income tax expense	**-**	-
Current income tax expense	**-**	-

(Expressed in Canadian Dollars)

The significant components of deferred income tax assets and liabilities are as follows:

	2022	**2021**
	$	**$**
Deferred income tax assets (liabilities)		
Non-capital losses carried forward	**2,083,000**	423,000
Capital losses carried forward	**15,000**	-
SR&ED expenditures carried forward	**505,000**	459,000
Investment tax credits	**173,000**	54,000
Convertible debt	**(14,000)**	(6,000)
Intangible assets	**-**	91,000
Capital assets	**20,000**	-
Share issuance costs	**275,000**	-
Total gross deferred income tax assets (liabilities)	**3,057,000**	1,021,000
Unrecognized deferred income tax assets	**(3,057,000)**	(1,021,000)
Net deferred income tax assets (liabilities)	**-**	-

As at February 28, 2022, the Company has non-capital losses carried forward of $7,717,000 which are available to offset future years' taxable income. These losses expire as follows:

	$
2035	9,000
2036	90,000
2037	27,000
2038	39,000
2039	473,000
2040	1,000
2041	134,000
2042	6,944,000
	7,717,000

15. SUBSEQUENT EVENT

On June 24, 2022, the Company, together with two directors of the Company who own certain patents (the "Owners"), completed the sale of substantially all assets and properties used in the Company's business of developing, manufacturing and marketing multi-substrate heated capsule technology, including, without limitation, the Owners' patents related to such technology and the Company's exclusive, perpetual license of certain of those patents pursuant to an amended and restated royalties agreement dated April 12, 2019 (the "Royalties Agreement"), for total consideration of US$100.5 million, subject to certain adjustments and holdbacks. US$55.28 million of the total consideration was allocated to the Company.