

MEDNOW INC.

Condensed Interim Consolidated Financial Statements
For the three and nine months ended April 30, 2021 and 2020
(expressed in Canadian dollars)
(Unaudited)

MEDNOW INC.
Condensed Interim Consolidated Statements of Financial Position
(expressed in Canadian dollars – unaudited)

	Note	As at April 30, 2021	As at July 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 32,978,537	\$ 5,255,396
Accounts receivable	10	443,247	—
Prepays		753,191	—
Sales tax receivable		354,959	68,391
Due from related parties	10	1,326,826	—
Total current assets		35,856,760	5,323,787
Non-current assets			
Intangible assets	4	449,133	217,000
Equipment	5	565,510	—
Total non-current assets		1,014,643	217,000
Total assets		\$ 36,871,403	\$ 5,540,787
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 1,118,049	\$ 108,650
Due to related parties	10	26,746	46,033
Total current liabilities		1,144,795	154,683
Total liabilities		1,144,795	154,683
Shareholders' equity			
Share capital	6	32,551,155	4,747,032
Warrants	6	8,521,807	1,126,924
Contributed surplus	7	(1,259,876)	—
Deficit		(4,086,478)	(487,852)
Total shareholders' equity		35,726,608	5,386,104
Total liabilities and shareholders' equity		\$ 36,871,403	\$ 5,540,787

Basis of presentation (note 2)
Subsequent events (note 11)

Approved on behalf of the Board:

/s/ Ali Reyhany
Ali Reyhany, Director

/s/ Kia Besharat
Kia Besharat, Director

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

MEDNOW INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended April 30, 2021 and 2020

(expressed in Canadian dollars – unaudited)

	Note	Three Months Ended April 30,		Nine Months Ended April 30,	
		2021	2020	2021	2020
Revenue	10	\$ 124,200	\$ —	\$ 289,800	\$ —
Expenses					
Marketing and sales		209,242	—	462,101	2,634
General and administrative	9, 10	1,816,365	38,000	3,016,119	56,724
Stock based compensation	7	255,490	—	287,830	—
Depreciation and amortization		44,944	—	105,475	—
		2,326,041	38,000	3,871,525	59,358
Other income					
Interest income		18,953	—	18,953	—
Net loss and comprehensive loss for the period		\$ (2,182,888)	\$ (38,000)	\$ (3,562,772)	\$ (59,358)
Loss per share - basic and diluted		\$ (0.11)	\$ (0.01)	\$ (0.21)	\$ (0.01)
Weighted average number of shares outstanding - basic and diluted		19,803,952	6,145,000	17,314,605	6,145,000

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

MEDNOW INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the nine months ended April 30, 2021 and 2020
(expressed in Canadian dollars – unaudited)

	Share Capital		Warrants	Contributed surplus	Deficit	Total
	Common shares Number	Common shares Amount				
Balance – July 31, 2019	6,145,000	\$ 61	\$ —	\$ —	\$ (18,350)	\$ (18,289)
Net loss and comprehensive loss for the period	—	—	—	—	(59,358)	(59,358)
Balance – April 30, 2020	6,145,000	\$ 61	\$ —	\$ —	\$ (77,708)	\$ (77,647)
Balance – July 31, 2020	16,110,518	\$ 4,747,032	\$ 1,126,924	\$ —	\$ (487,852)	\$ 5,386,104
Issuance of units, net of issuance costs	5,766,941	27,828,650	5,847,177	—	—	33,675,827
Issuance of broker warrant units	—	—	1,547,706	(1,547,706)	—	—
Share repurchase	(16,800)	(24,527)	—	—	(35,854)	(60,381)
Stock based compensation	—	—	—	287,830	—	287,830
Net loss and comprehensive loss for the period	—	—	—	—	(3,562,772)	(3,562,772)
Balance – April 30, 2021	21,860,659	\$ 32,551,155	\$ 8,521,807	\$ (1,259,876)	\$ (4,086,478)	\$ 35,726,608

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

MEDNOW INC.
Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended April 30, 2021 and 2020
(expressed in Canadian dollars – unaudited)

	Note	Nine Months Ended April 30,	
		2021	2020
Cash flows used in operating activities			
Net loss		\$ (3,562,772)	\$ (59,358)
Changes in non-cash operating items:			
Stock based compensation		287,830	—
Depreciation and amortization		105,475	—
Changes in non-cash working capital			
Accounts receivable		\$ (443,247)	—
Prepays		(753,191)	—
Sales tax receivable		(286,568)	(7,775)
Accounts payable and accrued liabilities		1,009,399	—
Net cash used in operating activities		(3,643,074)	(67,133)
Cash used in financing activities			
Issuance of units, net of issuance costs		33,675,827	—
Share repurchase		(60,381)	—
Net cash from financing activities		33,615,446	—
Cash used in investing activities			
Additions of intangible assets	4	(332,815)	(40,252)
Additions of equipment	5	(570,303)	—
Net due to/from related parties		(1,346,113)	110,355
Net cash (used in) provided by investing activities		(2,249,231)	70,103
Change in cash during the period		27,723,141	2,970
Cash and cash equivalents – beginning of period		5,255,396	61
Cash and cash equivalents– end of period		\$ 32,978,537	\$ 3,031

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

MEDNOW INC.

Notes to Condensed Interim Consolidated Financial Statements

As at and for the three and nine months ended April 30, 2021 and 2020

(expressed in Canadian dollars – unaudited)

1. NATURE OF OPERATIONS

Mednow Inc (the “Company” or “Mednow”) is a Canadian company incorporated under the Canada Business Corporations Act on January 17, 2018. The registered office address is 10th Floor, 595 Howe St., Vancouver, BC V6C 2T5.

The Company is a technology company that has developed a proprietary website and a web application to facilitate the sale and distribution of prescription medications. The Company’s web application is accessible and compatible with the internet browsers Safari, Google Chrome, Mozilla FireFox, and Microsoft Edge on mobile phones and on personal computers. Through its proprietary technological infrastructure, the Company plans to provide customers with a convenient and secure way to fill, order, receive and manage their prescriptions without having to physically attend a brick and mortar pharmacy.

The outbreak of the coronavirus, also known as “COVID-19,” has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may continue to have an adverse impact on global economic conditions as well as on the Company’s business activities. The extent to which the coronavirus may impact the Company’s business activities will depend on future developments, such as the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to vaccinate its population, contain and treat the disease. The effects that these events will have are highly uncertain and as such, the Company cannot determine the corresponding financial impact at this time.

On March 9, 2021, the Company completed its initial public offering (“IPO”) and listed its common shares on the TSX Venture Exchange (“TSXV”) under the symbol “MNOW”.

2. BASIS OF PREPARATION

Statement of compliance

The Company prepares its Condensed Interim Consolidated Financial Statements (the “financial statements”) in accordance with International Accounting Standard 34, Interim Financial Reporting. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to these Condensed Interim Consolidated Financial Statements were the same as those applied to the Company’s annual Financial Statements as at and for the year ended July 31, 2020. Accordingly, these Condensed Interim Consolidated Financial Statements do not include all disclosures required for annual financial statements and should be read in conjunction with the annual Financial Statements of the Company for the year ended July 31, 2020.

The policies applied to these Condensed Interim Consolidated Financial Statements are based on International Financial Reporting Standards (“IFRS”), which have been applied consistently to all periods presented, with the exception of the adoption of a new accounting policy described in Note 3.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on June 28, 2021.

Basis of preparation

These financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

Consolidation

These condensed interim consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries. All inter-company transactions are eliminated on consolidation.

As of April 30, 2021, the Company had two wholly owned subsidiaries incorporated under the Canada Business Corporations Act: (i) Mednow Pharmacy MB Ltd. (“Mednow MB”), and (ii) Mednow Pharmacy NS Ltd. (“Mednow NS”).

MEDNOW INC.**Notes to Condensed Interim Consolidated Financial Statements****As at and for the three and nine months ended April 30, 2021 and 2020****(expressed in Canadian dollars – unaudited)****3. SIGNIFICANT ACCOUNTING POLICIES**

On August 1, 2020, the Company adopted IFRS 15 Revenue from Contracts with Customers during the three and nine months ended April 30, 2021 as the Company entered into a service contract with related parties. IFRS 15 prescribes a five-step recognition and measurement model for revenue from contracts with customers and related costs. Under IFRS 15, the Company recognizes revenue on the transfer of services to customers for the amount that reflects the consideration expected to be received in exchange for those services promised. The Company's revenue recognition policy is as follows:

Revenue Recognition*Marketing and Technology Support Services*

The Company provides marketing and technology support services to pharmacies by connecting individuals to a network of pharmacies. The pharmacies pay the Company fixed consideration each month based on the aggregate revenues the pharmacy earns from the underlying customer in that month for using the marketing and technology support services. Under the arrangement, the performance obligation is the use of the marketing and technology support service each month and accordingly, the performance obligation is fulfilled through the passage of time and therefore this service revenue is recognized as the services are provided each month.

Staffing Services

The arrangement with pharmacies carries the option to provide the pharmacies with services from the Company's employees at a fixed hourly rate to assist with the fulfillment of orders to pharmacy customers. Under this arrangement, the performance obligation is the employee's services to the pharmacy and the consideration is the prescribed rate defined in the contract. Revenue is recognized as the performance obligation is fulfilled which is as the Company's employees conduct order fulfillment for the pharmacy. No revenue has been recognized for these services during the three and nine months ended April 30, 2021 (2020 – nil).

4. INTANGIBLE ASSETS

The Company's intangible assets comprise of the following:

	Software
Balance as at July 31, 2020	\$ 217,000
Additions	332,815
Amortization	(100,682)
Balance as at April 30, 2021	\$ 449,133

The Software became available for use during the nine months ended April 30, 2021 and accordingly, prior to this period, no amortization had been recorded.

5. EQUIPMENT

	Equipment	Vehicles	Total
Balance as at July 31, 2020	\$ —	\$ —	\$ —
Additions	547,768	22,535	570,303
Depreciation	(3,314)	(1,479)	(4,793)
Balance as at April 30, 2021	\$ 544,454	\$ 21,056	\$ 565,510

6. SHARE CAPITAL AND WARRANTS

The Company is authorized to issue an unlimited number of Class A, B and C common shares.

Class A common shares carry voting rights, non-cumulative dividends as set and declared by the board of directors and carry a priority feature in the event of dissolution of the Company where each holder of Class A common shares shall receive \$100 per share in priority to any payment on the Class B and Class C common shares.

MEDNOW INC.**Notes to Condensed Interim Consolidated Financial Statements****As at and for the three and nine months ended April 30, 2021 and 2020****(expressed in Canadian dollars – unaudited)****6. SHARE CAPITAL AND WARRANTS (continued)**

Class B common shares are non-voting, non-cumulative dividends as set and declared by the board of directors and carry a priority feature in the event of dissolution of the Company where each holder of Class B common shares shall receive \$50 per share in priority to any payment on the Class C common shares.

Class C common shares are non-voting, non-cumulative dividends as set and declared by the board of directors.

	Common Shares		Warrants	
	Shares	Amount \$	Warrants	Amount \$
Balance July 31, 2019	6,145,000	\$ 61	—	\$ —
Share Issuance (a)	3,855,000	39	—	—
June non-brokered private placement (b)	3,294,015	1,454,309	1,647,004	357,399
June and July brokered and non-brokered private placement (c)	2,767,038	3,896,385	1,699,750	1,188,270
July 31 non-brokered private placement (d)	49,465	69,623	30,668	21,474
Transaction costs	—	(673,385)	—	(440,219)
Balance July 31, 2020	16,110,518	\$ 4,747,032	3,377,422	\$ 1,126,924
Share Issuance (e)	5,766,941	27,828,650	3,322,857	7,394,883
Share repurchase (f)	(16,800)	(24,527)	—	—
Balance April 30, 2021	21,860,659	\$ 32,551,155	6,700,279	\$ 8,521,807

a) Share Issuance: On January 1, 2020 and May 26, 2020, the Company issued 2,355,000 and 1,500,000 Class A common shares for total proceeds of \$23.55 and \$15.00, respectively.

b) During June 2020, the Company completed non-brokered private placements resulting in the issuance of an aggregate of 3,294,015 units at a price of \$0.55 per unit, with each unit comprised of one Class A common share and one-half of one non-transferable Class A common share purchase warrant. Each whole warrant entitles the holder to purchase, for a period of twenty-four (24) months from the date of Liquidity Event, one additional Class A common share at an exercise price of \$0.80 per Share.

c) On June 30, 2020 and July 10, 2020, the Company completed a brokered and non-brokered private placement of an aggregate of 2,635,274 units at a price of \$1.75 per unit, with each unit comprised of one Class A common share and one-half of one non-transferable Class A common share purchase warrant. Each whole warrant entitles the holder to purchase, for a period of twenty-four (24) months from the date of Liquidity Event, one additional Class A common share at an exercise price of \$2.63 per Share.

As part of the transaction, the Company paid cash commission of \$368,938 and issued 131,764 corporate finance units, and 210,822 broker warrant units.

Each corporate finance unit resulted in the issuance of 1 Class A common share, and one half non-transferrable common share purchase warrant. Each whole warrant entitles the holder to purchase, for a period of twenty-four (24) months from the Liquidity Event, one additional Class A common share of the Company at an exercise price of \$2.63 per share. As a result, the Company issued 131,764 Class A common shares valued at \$185,919 and 65,881 warrants valued at \$45,194.

Each broker warrant unit will entitle the holder to acquire one (1) underlying broker unit of the Company at any time for a period of two (2) years from the Liquidity Event, at an exercise price equal to the issue price of \$1.75. Total broker warrant units issued were 210,822 which when exercised would result in 210,822 Class A common shares and warrants which represent an option to acquire 105,411 additional Class A common shares at \$2.63 per share. Broker warrants were valued at \$169,501 and the underlying broker warrants were valued at \$72,312.

d) On July 31, 2020, the Company completed a non-brokered private placement of an aggregate of 49,465 units at a price of \$1.75 per unit, with each unit comprised of one Class A common share and one-half of one non-transferable Class A common share purchase warrant. Each whole warrant entitles the holder to purchase, for a period of twenty-four (24) months from the date of Liquidity Event, one additional Class A common share at an exercise price of \$2.63 per share.

As part of this financing, the Company paid an advisory cash fee of \$6,925 and issued 3,957 advisory warrant units. Each advisory warrant unit entitles the advisor to purchase one Class A common share for a period of twenty-four (24) months from the Liquidity Event, at an exercise price of \$1.75 per Class A common share for a total 3,957 Class A common Shares, and a warrants to acquire 1,978 Class A common shares at \$2.63 per share. The advisory warrants were valued at \$4,533.

MEDNOW INC.**Notes to Condensed Interim Consolidated Financial Statements****As at and for the three and nine months ended April 30, 2021 and 2020****(expressed in Canadian dollars – unaudited)****6. SHARE CAPITAL AND WARRANTS (continued)**

e) On March 4, 2021, the Company completed its IPO for gross proceeds of \$37,073,194 from the sale of 5,492,325 units at \$6.75 per unit. Each unit is comprised of one (1) Class A common share of the Company and one-half of one Class A common share purchase warrant exercisable at \$8.50 for 24 months.

As part of the transaction, the Company paid cash commission of \$2,965,856, incurred legal and syndicate fees of \$431,511, and issued 274,616 corporate finance units.

Each corporate finance unit resulted in the issuance of one (1) Class A common share, and one half non-transferrable common share purchase warrant. Each whole warrant entitles the holder to purchase, for a period of twenty-four (24) months from the Liquidity Event, one additional Class A common share of the Company at an exercise price of \$8.50 per share.

The fair value of both the IPO and corporate finance unit warrants issued was determined to be \$5,847,177 and was estimated using the Black-Scholes option pricing model with the following assumptions:

	March 4, 2021
Expected volatility	100%
Expected life	2 years
Expected forfeiture rate	0%
Risk-free interest rate	0.28%
Dividend yield	0%
Weighted average share price	\$ 5.58
Weighted average fair value of warrants at grant date	\$ 1.17

In addition, the Company issues 439,386 broker warrant units in connection with the IPO financing. Each broker warrant unit will entitle the holder to acquire one (1) underlying broker unit of the Company at any time for a period of two (2) years from the Liquidity Event, at an exercise price equal to the issue price of \$6.75. Total broker warrant units issued were 439,386 which when exercised would result in 439,386 Class A common shares and warrants which represent an option to acquire 219,693 additional Class A common shares at \$8.50 per share.

The fair value of broker warrant units issued was determined to be \$1,547,706 and was estimated using the Black-Scholes option pricing model with the following assumptions:

	March 4, 2021
Expected volatility	100%
Expected life	2 years
Expected forfeiture rate	0%
Risk-free interest rate	0.28%
Dividend yield	0%
Weighted average share price	\$ 6.75
Weighted average fair value of warrants at grant date	\$ 3.52

f) On March 29, 2021, the Company gave notice of its intention to make a Normal Course Issuer Bid (the “Bid”) to be transacted through the facilities of the exchange. The notice provides that the Company may, during the 12-month period commencing April 1, 2021 and ending April 1, 2022, purchase up to 1,093,873 Class A common shares of the Company in total, being 5% of the total number of 21,877,460 Shares outstanding as at March 29, 2021. The share purchases are to be made on the open market through the facilities of the exchange and will be purchased for cancellation. The funding for any purchase pursuant to the Bid will be financed out of the working capital of the Company. The Company’s Bid will be made from time to time by Gravititas Securities Inc. on behalf of the Company through the facilities of the TSX Venture Exchange.

As of April 30, 2021, the Company purchased, for cancellation, a total of 16,800 common shares for \$60,382 of cash consideration. The weighted average cost of the cancelled shares totaled \$24,527 resulting in a loss on cancellation of \$35,854 being allocated to deficit.

MEDNOW INC.**Notes to Condensed Interim Consolidated Financial Statements**

As at and for the three and nine months ended April 30, 2021 and 2020

(expressed in Canadian dollars – unaudited)

7. CONTRIBUTED SURPLUS

	Amount \$
Balance July 31, 2019 and 2020	\$ —
Stock based compensation	287,830
Issuance of broker warrant units	(1,547,706)
Balance April 30, 2021	\$ (1,259,876)

Stock options

The Company has a stock option plan ("the Plan") under which the Board of Directors may grant to directors, officers, employees, advisors and technical consultants to the Company non-transferable options to purchase common shares. The plan provides for a maximum number of stock options reserved for issuance equal to 10% of the Company's issued and outstanding common shares. Under the plan, options generally vest over a period of three years and expire five years from the grant date.

On January 21, 2021, the Board of Directors authorized and approved the granting of 1,611,000 options under the Company's Plan to various directors, officers, employees and technical consultants.

The following table summarizes the continuity of the stock options during the nine months ended April 30, 2021 as no options were granted during the year ended July 31, 2020, or prior:

	As at April 30, 2021	
	Number of options	Weighted average exercise price \$
Beginning balance	—	\$ —
Granted	1,611,000	1.75
Ending balance	1,611,000	\$ 1.75

The following table provides additional information about the Company's stock options as at April 30, 2021:

Number of Options Outstanding	Exercise Price \$	Expiry Date	Number of Options Exercisable
1,611,000	\$ 1.75	January 21, 2026	40,000
1,611,000	\$ 1.75		40,000

Stock options granted were valued using the Black-Scholes option pricing model with the following weighted-average assumptions for the nine months ended April 30, 2021:

	For the nine months ended April 30, 2021
Expected volatility	100%
Expected life	3 years
Expected forfeiture rate	0%
Risk-free interest rate	0.21%
Dividend yield	0%
Weighted average exercise price	\$ 1.75
Weighted average fair value of options at grant date	\$ 1.08

MEDNOW INC.**Notes to Condensed Interim Consolidated Financial Statements****As at and for the three and nine months ended April 30, 2021 and 2020****(expressed in Canadian dollars – unaudited)****7. CONTRIBUTED SURPLUS (continued)**

The Company recorded stock-based compensation expense for options of \$287,830 (2020 – \$nil) with an offsetting increase to contributed surplus in respect of the stock options granted during the nine months ended April 30, 2021. No stock options were exercised during the nine months ended April 30, 2021 or 2020, and as a result \$nil was transferred to share capital from contributed surplus. The weighted average remaining life of the options is 4.73 years.

Broker warrant units

The Company issued 439,386 broker warrant units in connection with the IPO financing. The fair value of the broker warrant units was recorded in Warrants in the statement of changes in equity with the offset to contributed surplus (see note 6).

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT***Capital risk management***

The Company's objectives in managing its capital are to ensure the Company's ability to continue as a going concern and to maintain a flexible capital structure of equity and debt financing to optimize the costs of capital with minimal risks. The Company considers the items included in shareholders' equity to be capital. The Board of Directors monitors the Company's capital position on a regular basis. There were no changes to the Company's capital management policy during the three and nine months ended April 30, 2021.

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 manages liquidity risk through the management of its capital structure.

The following table has been prepared based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Company could be required to pay. The Company continues to pursue future financing options.

	On demand	1-3 months	3 months to 1 year	Greater than 1 year	Total
Accounts payable and accrued liabilities	1,118,049	—	—	—	—
Due to related parties	26,746	—	—	—	—
Total	\$ 1,144,795	\$ —	\$ —	\$ —	\$ —

	On demand	1-3 months	3 months to 1 year	Greater than 1 year	Total
Accounts payable and accrued liabilities	108,650	—	—	—	—
Due to related parties	46,033	—	—	—	—
Total	\$ 154,683	\$ —	\$ —	\$ —	\$ —

Credit risk

The Company's credit risk arises from its cash deposit with banks, of which there is \$32,978,537 deposited as at April 30, 2021 (July 31, 2020 - \$5,255,396), accounts receivable of \$443,247 (July 31, 2020 - \$nil) and its due from related parties of \$1,326,826 (July 31, 2020 - \$nil), which represents the entities maximum exposure to credit risk. Sales tax receivable is not considered a significant component of credit risk as it relates to sales tax recoverable from the government. Accounts receivable and due from related parties are entirely concentrated to Mednow East Inc. and Mednow West Inc., which are discussed in Note 10.

Fair value hierarchy

The Company applies a three-tier hierarchy to classify the determination of fair value measurements for disclosure purposes. Inputs refer broadly to the data and assumptions that market participants would use in pricing the investment. Observable inputs are inputs that are based on market data from independent sources. Unobservable inputs are inputs that reflect the Company's own assumptions about the assumptions market participants would use in pricing an investment based on the best information available in the circumstances. The three-tier hierarchy of inputs is as follows:

Level 1 - quoted prices in active markets for identical investments.

MEDNOW INC.**Notes to Condensed Interim Consolidated Financial Statements****As at and for the three and nine months ended April 30, 2021 and 2020****(expressed in Canadian dollars – unaudited)****8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the investment, either directly (as prices) or indirectly (derived from prices).

Level 3 - inputs for the investment that are not based on observable market data (unobservable inputs).

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and due from (to) related parties approximates their fair values due to the short-term nature.

9. EXPENSES CLASSIFIED BY NATURE

Expenses are classified by function on the statement of loss and comprehensive loss and include general and administrative, marketing and sales and depreciation. Below is a breakdown of the nature of expenses within general and administrative expenses:

	<u>Three Months Ended April 30,</u>		<u>Nine Months Ended April 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General and administrative				
Payroll and subcontractor	\$ 733,025	\$ 24,966	\$ 1,228,235	\$ 42,717
Legal and professional	862,453	—	1,280,769	—
Director fees	83,500	—	251,500	—
Management fee	15,000	—	45,000	—
Office	87,709	13,034	141,681	13,803
Travel and meals	32,093	—	64,546	204
Foreign exchange	2,585	—	4,388	—
	<u>\$ 1,816,365</u>	<u>\$ 38,000</u>	<u>\$ 3,016,119</u>	<u>\$ 56,724</u>

10. RELATED PARTY TRANSACTIONS

The Company's related parties include key management personnel. Key management personnel includes the directors (executive and non-executive) and officers of the Company. Remuneration of key management personnel that was included in general and administrative expenses on the statement of loss and comprehensive loss was as follows:

	<u>Three months ended April 30,</u>		<u>Nine months ended April 30,</u>	
Management and director remuneration	\$ 226,276	\$ —	\$ 475,716	\$ —
Stock-based compensation expense - directors and officers	125,066	—	139,118	—
	<u>\$ 351,342</u>	<u>\$ —</u>	<u>\$ 614,834</u>	<u>\$ —</u>

On September 15 and 24, 2020, the Company entered into a pharmacy agreement (the "Mednow East Pharmacy Agreement" and "Mednow West Pharmacy Agreement") with Mednow East Inc. ("Mednow East") and Mednow West Inc. ("Mednow West"), companies controlled by management and certain shareholders of Mednow, pursuant to which Mednow will provide Mednow East and Mednow West with non-exclusive marketing and technology support services to connect Mednow East and Mednow West with potential customers, and Mednow East and Mednow West will fulfill orders for pharmacy products through the Mednow web application, the dashboard and/or the virtual call center in exchange for consideration at fixed amounts based on volume of orders fulfilled. As part of the agreement, Mednow provided Mednow East and Mednow West with an on-demand, non-interest bearing loan.

MEDNOW INC.**Notes to Condensed Interim Consolidated Financial Statements**

As at and for the three and nine months ended April 30, 2021 and 2020

(expressed in Canadian dollars – unaudited)

10. RELATED PARTY TRANSACTIONS (continued)

	<u>As at April 30,</u> <u>2021</u>	<u>As at July 31,</u> <u>2020</u>
Due to/from related party		
Mednow East Inc	\$ 711,371	\$ —
Mednow West Inc.	615,455	—
Care Health Inc.	(26,746)	(46,033)
	<u>1,300,080</u>	<u>(46,033)</u>
Related party balances included in accounts receivable		
Mednow East Inc.	244,431	—
Mednow West Inc.	167,537	—
Mednow Clinic Ltd.	31,279	—
	<u>443,247</u>	<u>—</u>
Total related party balances	<u>\$ 1,743,327</u>	<u>\$ (46,033)</u>

	<u>Three months ended April 30,</u>		<u>Nine months ended April 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues				
Mednow East Inc.	\$ 62,100	\$ —	\$ 144,900	\$ —
Mednow West Inc.	62,100	—	144,900	—
	<u>124,200</u>	<u>—</u>	<u>289,800</u>	<u>—</u>
General and administrative - management fees				
Care Health Inc.	<u>\$ 15,000</u>	<u>\$ —</u>	<u>\$ 45,000</u>	<u>\$ —</u>

All due to/from related party balances are non-interest bearing, unsecured and due on demand.

The Company pays a management fee to Care Health Inc. for the use of its office space, accounting and bookkeeping services, and pharmacist training. The Company entered into a formal management services agreement with Care Health Inc. on September 25, 2020. For a monthly fee of \$5,000, Care Health Inc. shall provide Mednow with back office support including, but not limited to, human resources, accounting and general administrative support and advisory services, as the board of directors of Mednow may reasonably request from time to time. Care Health Inc. is related due to common directors and management. Care Health Inc. is also a shareholder of Mednow.

The related party transactions are conducted in the normal course of business operations and were measured at the exchange amount, which is the amount agreed to by the related parties.

As at April 30, 2021, included in accounts payable and accrued liabilities was \$99,988 (2020 – \$nil) of payments owed to key management personnel.

11. SUBSEQUENTS EVENTS

Subsequent to April 30, 2021, the Company purchased, for cancellation, a total of 242,900 common shares for \$720,688 of cash consideration. The total shares purchased for cancellation to date is 259,700 for total cash consideration of \$781,070. Under the terms of the Bid, the Company can purchase up to an additional 834,173 common shares for the purpose of cancellation.

On June 11, 2021, the Board of Directors approved and authorized the granting of an additional 349,500 of stock options under the Company's Plan.