# MEDNOW INC.

Consolidated Financial Statements
For the years ended July 31, 2021 and 2020
(expressed in Canadian dollars)

# Independent Auditor's Report

To the Shareholders of Mednow Inc.:

## Opinion

We have audited the consolidated financial statements of Mednow Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2021 and July 31, 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at July 31, 2021 and July 31, 2020, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Giacomo Angelini.

MNP LLP

Waterloo, Ontario — Chartered Professional Accountants

October 20, 2021 — Licensed Public Accountants

MNP

**MEDNOW INC.**
**Consolidated Statements of Financial Position**
**(expressed in Canadian dollars)**

| | Note | As at July 31, 2021 | As at July 31, 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 15 | $ 28,758,598 | $ 5,255,396 |
| Prepaid expenses | 6 | 644,103 | — |
| Sales tax receivable | | 256,824 | 68,391 |
| Due from related parties | 17 | 2,023,565 | — |
| **Total current assets** | | **31,683,090** | **5,323,787** |
| **Non-current assets** | | | |
| Intangible assets | 7 | 529,754 | 217,000 |
| Property and equipment | 8 | 1,081,263 | — |
| Right-of-use assets | 9 | 381,740 | — |
| Investment in equity securities | 10 | 495,475 | — |
| **Total non-current assets** | | **2,488,232** | **217,000** |
| **Total assets** | | **$ 34,171,322** | **$ 5,540,787** |
| | | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 11 | $ 1,293,276 | $ 108,650 |
| Current portion of lease liability | 12 | 77,051 | — |
| Due to related parties | 17 | — | 46,033 |
| **Total current liabilities** | | **1,370,327** | **154,683** |
| **Long-term liabilities** | | | |
| Lease liabilities | 12 | 314,255 | — |
| **Total long-term liabilities** | | **314,255** | — |
| **Total liabilities** | | **1,684,582** | **154,683** |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | 13 | 31,655,148 | 4,747,032 |
| Warrants | 13 | 7,309,905 | 1,126,924 |
| Share-based payment reserve | 14 | 3,374,095 | — |
| Deficit | | (9,852,408) | (487,852) |
| **Total shareholders' equity** | | **32,486,740** | **5,386,104** |
| **Total liabilities and shareholders' equity** | | **$ 34,171,322** | **$ 5,540,787** |

**Subsequent events (note 20)**

**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 consolidated financial statements.*

**MEDNOW INC.**
**Consolidated Statements of Loss and Comprehensive Loss**
**For the years ended July 31, 2021 and 2020**
**(expressed in Canadian dollars)**

| | Note | For the years ended July 31, 2021 | 2020 |
|---|---|---|---|
| **Revenue** | 17 | **$ 414,000** | **$ —** |
| | | | |
| **Expenses** | | | |
| Marketing and sales | | 896,507 | 83,562 |
| General and administrative | 16 | 4,940,634 | 385,940 |
| Share-based compensation | 14 | 3,374,095 | — |
| Depreciation and amortization | 7, 8, 9 | 201,350 | — |
| | | **9,412,586** | **469,502** |
| | | | |
| **Other income** | 19 | 44,751 | — |
| | | | |
| **Net loss and comprehensive loss** | | **$ (8,953,835)** | **$ (469,502)** |
| | | | |
| **Loss per share - basic and diluted** | | $ (0.49) | $ (0.06) |
| **Weighted average number of shares outstanding - basic and diluted** | | **18,402,826** | **8,468,324** |

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

**MEDNOW INC.**
**Consolidated Statements of Changes in Shareholders' Equity**
**For the years ended July 31, 2021 and 2020**
**(expressed in Canadian dollars)**

| | Note | Share Capital<br>Common shares Number | Share Capital<br>Common shares Amount | Warrants | Share-based payment reserve | Deficit | Total |
|---|---|---|---|---|---|---|---|
| **Balance – July 31, 2019** | | **6,145,000** | **$ 61** | **$ —** | **$ —** | **$ (18,350)** | **$ (18,289)** |
| Share issuance | 13a | 3,855,000 | 39 | — | — | | **39** |
| June non-brokered private placement | 13b | 3,294,015 | 1,454,309 | 357,399 | — | — | **1,811,708** |
| June and July brokered and non-brokered private placement | 13c | 2,767,038 | 3,896,385 | 1,188,270 | — | — | **5,084,655** |
| July 31 non-brokered private placement | 13d | 49,465 | 69,623 | 21,474 | — | — | **91,097** |
| Transaction costs | | — | (673,385) | (440,219) | — | | **(1,113,604)** |
| Net loss and comprehensive loss | | — | — | — | — | (469,502) | **(469,502)** |
| **Balance – July 31, 2020** | | **16,110,518** | **$ 4,747,032** | **$ 1,126,924** | **$ —** | **(487,852)** | **$ 5,386,104** |
| Issuance of units | 13e | 5,766,941 | 33,092,104 | 5,834,747 | — | — | **38,926,851** |
| Issuance of broker warrant units | 13e | — | — | 1,358,319 | — | — | **1,358,319** |
| Share repurchases | 13f | (309,100) | (455,233) | — | — | (410,721) | **(865,954)** |
| Share-based compensation | 14 | — | — | — | 3,374,095 | — | **3,374,095** |
| Transaction costs | 13e | — | (5,728,755) | (1,010,085) | — | — | **(6,738,840)** |
| Net loss and comprehensive loss | | — | — | — | — | (8,953,835) | **(8,953,835)** |
| **Balance – July 31, 2021** | | **21,568,359** | **$ 31,655,148** | **$ 7,309,905** | **$ 3,374,095** | **$ (9,852,408)** | **$ 32,486,740** |

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

**MEDNOW INC.**
**Consolidated Statements of Cash Flows**
**For the years ended July 31, 2021 and 2020**
**(expressed in Canadian dollars)**

| | Note | For the years ended July 31, 2021 | 2020 |
|---|---|---|---|
| **Cash flows used in operating activities** | | | |
| Net loss | | $ (8,953,835) | $ (469,502) |
| Changes in non-cash operating items: | | | |
| Share-based compensation | 14 | 3,374,095 | — |
| Depreciation and amortization | 7,8,9 | 201,350 | — |
| Loss on investment in equity securities | 10 | 4,525 | — |
| Interest expense- IFRS 16 | 19 | 815 | — |
| | | | |
| Changes in non-cash working capital | | | |
| Prepaid expenses | | (644,103) | — |
| Sales tax receivable | | (188,433) | (68,391) |
| Accounts payable and accrued liabilities | | 617,260 | 104,800 |
| **Net cash used in operating activities** | | **(5,588,326)** | **(433,093)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Issuance of units, net of issuance costs | 13e | 33,546,330 | 5,873,895 |
| Share repurchases | 13f | (865,954) | — |
| Payment of lease liabilities | 12 | (4,488) | — |
| **Net cash from financing activities** | | **32,675,888** | **5,873,895** |
| | | | |
| **Cash used in investing activities** | | | |
| Additions of intangible assets | 7 | (360,095) | (98,922) |
| Additions of equipment | 8 | (654,667) | — |
| Investment in equity securities | 10 | (500,000) | — |
| Net due to/from related parties | 17 | (2,069,598) | (86,545) |
| **Net cash used in investing activities** | | **(3,584,360)** | **(185,467)** |
| | | | |
| Change in cash during the year | | 23,503,202 | 5,255,335 |
| Cash and cash equivalents – beginning of year | | 5,255,396 | 61 |
| **Cash and cash equivalents– end of year** | | **$ 28,758,598** | **$ 5,255,396** |

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

## 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 healthcare 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 provides 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.

On March 4, 2021, the Company completed its initial public offering ("IPO"), and on March 9, 2021, the Company listed its common shares on the TSX Venture Exchange ("TSXV") under the symbol "MNOW".

## 2. COVID-19

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 (such as the provincial vaccine passports) and other countries to continue 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.

## 3. BASIS OF PREPARATION

**Statement of compliance**
The Company prepares its Consolidated Financial Statements (the "financial statements") in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The accounting policies applied to these Consolidated Financial Statements are based on IFRS which have been applied consistently to all periods presented, with the exception of the adoption of the revenue recognition policy described in Note 5.
The Company's fiscal year (the "period", "fiscal year", "year") begins on August 1 and ends on July 31.
These consolidated financial statements were approved and authorized for issuance by the Board of Directors on October 20, 2021.

**Basis of preparation**
These financial statements have been prepared on a 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 functional currency of the Company and its subsidiaries listed below.

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

As of July 31, 2021, the Company's subsidiaries incorporated under the Canada Business Corporations Act included:

| **Subsidiaries** | **Percentage of equity interest** |
|---|---|
| Mednow Pharmacy MB Ltd. ("Mednow MB") | 100% |
| Mednow Pharmacy NS Ltd. ("Mednow NS") | 100% |
| Mednow Operations Inc. ("Mednow Operations) | 100% |
| Mednow Medical Inc. ("Mednow Medical") | 100% |
| Mednow Virtual Care Limited ("Mednow Virtual Care") | 70% |

## 3. BASIS OF PREPARATION (Continued)

IFRS 10, Consolidated Financial Statements, outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Consolidation of a subsidiary begins on the date that control is acquired by a Company over the subsidiary and ceases when the Company loses control of the subsidiary. The income and expenses of new subsidiaries acquired or disposed during the year, as well as new subsidiaries incorporated during the year are included in the consolidated statements of operations and comprehensive loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

**Segmented information and reporting**
Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer. The Company substantially operates and is managed as one reportable segment. Operating revenues are comprised of revenues generated from the Company's marketing and technology support services in Note 5. The Company's net assets and its underlying revenue are generated from its operations in Canada.

Management is organized based on the Company’s operations as a whole rather than the specific revenue streams.

## 4. SIGNIFICANT JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

The preparation of the Company’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company.

The following are examples of the estimates and assumptions that have been made in applying the Company’s accounting policies that have the most significant effect on the amounts in the consolidated financial statements.

- The Company applied judgment when determining the fair value of the warrants issued as part of the IPO transaction and share-based expenses, which use the Black-Scholes option pricing model, that incorporates assumptions regarding the expected life of the instrument, volatility, dividend yield, and risk-free rates.
- The underlying estimated useful life of the Company's property, equipment and intangible assets.
- The inputs and assumptions used to analyze impairment for the Company's property and equipment and intangible assets, and assessment of the related cash generating units.
- The determination of the incremental borrowing rate used to calculate and record the Company's right-of-use assets and lease liabilities. In estimating its incremental borrowing rate, the Company considers the term of the lease, the lease renewal terms, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.
- The expected credit losses ("ECL") applied against due from related parties based on forward-looking factors.
- The ability of the Company to remain a going concern. Considerations include all information about the availability of capital financing, current working capital funds, and future commitments and obligations.
- The derivation of the income tax provision, assets and liabilities, including the recoverability, if any, of the Company’s deferred tax assets in relation to unused tax losses by estimating the probability, timing and level of any future taxable profits as well as changes to future tax rates.
- The determination of significance influence with respect to the Company's investment in Life Support Mental Health Inc.

## 5. SIGNIFICANT ACCOUNTING POLICIES

**Financial instruments**
Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when obligations are discharged, cancelled or they expire.

## 5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

*Measurement*
At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets or financial liabilities carried at FVTPL are expensed in profit or loss.

Debt financial instruments measured at fair value through other comprehensive income ("FVOCI") are non-derivative financial assets with contractual cash flows that meet the strictly principal and interest ("SPPI") test and are managed on a hold to collect and for sale basis. Subsequent measurement of debt instruments classified at FVOCI under IFRS 9 - Financial Instruments ("IFRS 9") operates in a similar manner to available for sale debt securities under IAS 39 - Financial Instruments: Recognition and Measurement, except that ECL impairment model must be applied to these instruments under IFRS 9. As a result, FVOCI debt instruments are measured initially at fair value, plus direct and incremental transaction costs. Subsequent to initial recognition, FVOCI debt instruments are remeasured at fair value through other comprehensive income ("OCI"), with the exception that both related foreign exchange gains or losses and changes in ECL allowances are recognized in the statement of net earnings and comprehensive income.

Measurement in subsequent periods depends on the classification of the financial instrument. The Company classifies its financial instruments depending on the purpose for which the instruments were acquired and their characteristics.

*Financial asset*
For subsequent measurement, there are two measurement categories into which the Company classifies its financial assets:

*a). Amortized cost*
Financial assets measured at amortized cost are debt financial instruments with contractual cash flows that meet the SPPI test and are managed on a hold to collect basis. These financial assets are recognized initially at fair value plus or minus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method, net of an allowance for expected credit losses.

*b). Fair value through profit or loss*
Trading financial instruments are mandatorily measured at FVTPL as they are held for trading purposes or are part of a managed portfolio with a pattern of short-term profit taking. Non-trading financial assets are also mandatorily measured at fair value if their contractual cash flow characteristics do not meet the SPPI test or if they are managed together with other financial instruments on a fair value basis. Trading and non-trading financial instruments valued at FVTPL are remeasured at fair value as at the statement of financial position date. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

*Financial liabilities*
Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss (irrevocable election at the time of recognition). Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

## 5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

| **Financial instruments** | **Recognition Method** |
|---|---|
| ***Assets*** | |
| Cash and cash equivalents | Amortized Cost |
| Due from related parties | Amortized Cost |
| | |
| ***Liabilities*** | |
| Accounts payable and accrued liabilities | Amortized Cost |
| Due to related parties | Amortized Cost |

**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 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.
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).

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held with banks and other short-term investments that are readily convertible to a known amount of cash throughout their term and are subject to an insignificant risk of change in value.

**Due to and from related parties**

The Company's related party transactions are described in Note 17.

**Property, equipment and intangible assets**

Property, equipment and intangible assets are stated at cost, net of accumulated depreciation. Repairs and maintenance expenses are charged against income as incurred. Expenditures that extend the estimated life of an asset are capitalized. The assets are amortized when they are available for use. Following initial recognition, the underlying assets are carried at cost, less accumulated amortization and accumulated impairment losses.

Property and equipment includes the cost of buying and replacing component parts of equipment and any expenditures required to make the equipment ready for use.

The intangible assets consist of the costs capitalized to build and develop the Company's web and mobile application. The costs are capitalized where the expenditure is incurred on developing an income generating web and/or mobile application and when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- It's intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

All research costs are expensed as incurred. Subsequent expenditures are capitalized only if it increases the future economic benefits embodied in the website. All other expenditures, including operating costs, are recognized in the statement of loss and comprehensive loss.

## 5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of loss and comprehensive loss.

Depreciation is calculated using the straight-line basis as this approach best reflects the consumption and benefit patterns pertaining to the asset's use. Depreciation is charged commencing when the asset is available for use. The following rates are based on the expected useful lives of the assets:

| | |
|---|---|
| Pharmacy automation equipment | 10 years |
| Vehicles | 2- 5 years |
| Furniture and fixtures | 5 years |
| Computer equipment | 3 years |
| Leasehold improvements | Lease term |
| Intangible assets | 3 years |

**Right-of-use assets**
The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date for leases with terms of more than 12 months. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease terms range from 3 to 10 years for facilities and vehicles.

**Investment in equity securities**
The Company recognizes its investment in equity securities using the equity method. The investment is initially measured at cost, which comprises the amount paid by the Company to obtain an equity stake, and the investment is then adjusted for the post-acquisition share of the Company's net profit or loss of the investee, which is reflected in the consolidated statements of loss and comprehensive loss. Post acquisition distributions received from the investee reduce the carrying amount of the Company's investment.

**Impairment of non-financial assets**
The Company reviews the carrying value of non-financial assets for potential impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows or cash generating units ("CGUs"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount.

For non-financial assets other than goodwill, a previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount, but cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

**Lease liabilities**
Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. Lease liabilities are measured at amortized cost using the effective interest method. They are remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in-substance fixed lease payment.

When lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statements of loss and comprehensive loss if the carrying amount of the right-of-use asset has been reduced to zero.

## 5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Revenue recognition**

On August 1, 2020, the Company adopted IFRS 15 Revenue from Contracts with Customers based on the 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:

*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 conducts order fulfillment for the pharmacy. No revenue has been recognized for these services for the period ended July 31, 2021 (2020 – nil).

**Share-based payment transactions**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at exercise prices equal to the closing market price on the day preceding the date the options were granted.

The fair value of the options granted to employees is measured using the Black-Scholes option pricing model, and is recognized as the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized an expense is adjusted to reflect the number of share options expected to vest.

The fair value of the options granted to non-employees is measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

When the stock options are exercised, the applicable amounts of equity reserves are transferred to share capital.

**Foreign Currency Translation**

In preparing the financial statements, transactions in currency other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transaction. Foreign currency non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the consolidated statements of loss and comprehensive loss.

**Income taxes**

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

**(expressed in Canadian dollars)**

## 5. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The carrying amount of any deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred taxes are recognized as an expense or income in the statement of loss and comprehensive loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss.

**Loss per share**
Basic loss per share is computed by dividing net loss of the Company by the weighted average number of common shares outstanding during the period.

The dilutive effect on loss per share is calculated presuming the exercise of outstanding warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of dilutive loss per share excludes the effects of various conversions and exercise of warrants that would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Potentially dilutive Common Shares, relating to warrants and options outstanding as at July 31, 2021 and July 31, 2020, were not included in the computation of loss per share because their effect was anti-dilutive.

## 6. PREPAID EXPENSES

| | As at July 31, | |
|---|---|---|
| | **2021** | **2020** |
| Prepaid equipment | 94,575 | — |
| Prepaid advertising and investor relations | 391,163 | — |
| Prepaid deposits | 158,365 | — |
| **Prepaid expenses** | **$ 644,103** | **$ —** |

**(expressed in Canadian dollars)**

## 7. INTANGIBLE ASSETS

The Company's intangible assets comprise of the following:

| COST | | Software |
|---|---|---|
| **Balance as at July 31, 2019** | **$** | **118,078** |
| Additions | | 98,922 |
| **Balance as at July 31, 2020** | | **217,000** |
| Additions | | 467,427 |
| **Balance as at July 31, 2021** | **$** | **684,427** |
| | | |
| **ACCUMULATED AMORTIZATION** | | |
| **Balance as at July 31, 2019** | | — |
| Amortization | | — |
| **Balance as at July 31, 2020** | | — |
| Amortization | | 154,673 |
| **Balance as at July 31, 2021** | **$** | **154,673** |
| | | |
| **NET BOOK VALUE** | | |
| **At July 31, 2020** | **$** | **217,000** |
| **At July 31, 2021** | **$** | **529,754** |

The Software became available for use during the year ended July 31, 2021 and accordingly, prior to this year, no amortization had been recorded.

## 8. PROPERTY and EQUIPMENT

| COST | Automation Equipment | Leasehold Improvements | Vehicles | Furniture and Fixtures | Computer Equipment | Total |
|---|---|---|---|---|---|---|
| **Balance as at July 31, 2019** | $ — | $ — | $ — | $ — | $ — | $ — |
| Additions | — | — | — | — | — | — |
| **Balance as at July 31, 2020** | $ — | $ — | $ — | $ — | $ — | $ — |
| Additions | 808,250 | 200,776 | 22,535 | 12,987 | 70,153 | 1,114,701 |
| **Balance as at July 31, 2021** | **$ 808,250** | **$ 200,776** | **$ 22,535** | **$ 12,987** | **$ 70,153** | **$ 1,114,701** |
| | | | | | | |
| **ACCUMULATED DEPRECIATION** | | | | | | |
| **Balance as at July 31, 2019** | $ — | $ — | $ — | $ — | $ — | $ — |
| Depreciation | — | — | — | — | — | — |
| **Balance as at July 31, 2020** | $ — | $ — | $ — | $ — | $ — | $ — |
| Depreciation | 15,208 | — | 7,993 | 1,151 | 9,086 | 33,438 |
| **Balance as at July 31, 2021** | **$ 15,208** | **$ -** | **$ 7,993** | **$ 1,151** | **$ 9,086** | **$ 33,438** |
| | | | | | | |
| **NET BOOK VALUE** | | | | | | |
| **At July 31, 2020** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |
| **At July 31, 2021** | **$ 793,042** | **$ 200,776** | **$ 14,542** | **$ 11,836** | **$ 61,067** | **$ 1,081,263** |

**(expressed in Canadian dollars)**

## 9. RIGHT-OF-USE ASSETS

| | Vehicles | Real Estate Leases | Total |
|---|---|---|---|
| **Balance as at July 31, 2020** | $ — | $ — | $ — |
| Lease additions | 61,846 | 333,133 | 394,979 |
| Depreciation | (2,577) | (10,662) | (13,239) |
| **Balance as at July 31, 2021** | **$ 59,269** | **$ 322,471** | **$ 381,740** |

## 10. INVESTMENT IN EQUITY SECURITIES

| | |
|---|---|
| **Balance – July 31, 2020** | — |
| Subscription in investment in equity securities | 500,000 |
| Loss on investment in equity securities | (4,525) |
| **Balance – July 31, 2021** | **$ 495,475** |

On July 9, 2021, pursuant to the terms of its subscription agreement ("subscription agreement"), the Company acquired an equity interest in Life Support Mental Health Inc. ("Life Support", "investee"), a privately held Canadian company that has developed mental health solutions to patients. Through this strategic investment, the Company is able to expand and diversify its portfolio of healthcare services that it can provide to its patients.

The Company paid cash consideration of $500,000 to Life Support, and received 1,265,968 Class C voting common shares of Life Support, which represents a 10.5% equity interest in the investee. The Company holds significant influence over Life Support's financial and operating policy decisions through its representation on Life Support's Board of Directors. The Company has recognized its investment in Life Support using the equity method. The post-acquisition change of $4,525 was calculated using Life Support's financial information, as summarized below, as at July 31, 2021.

**Life Support Financial Information - July 31, 2021**

| | |
|---|---|
| Current assets | $ 346,988 |
| Non-current assets | 4,330 |
| Current liabilities | 420,263 |
| Non-current liabilities | 200,000 |
| Total liabilities | 620,263 |
| Revenue for the period from July 1 to July 31, 2021 | — |
| Loss from continuing operations for the period from July 1 to July 31, 2021 | (66,795) |

The Company has the option to invest an additional amount of $250,000, payable in cash consideration, in order to receive 473,809 Class C voting common shares of Life Support. In addition, the Company also has the option to invest an additional $750,000 payable in cash, in exchange for 1,101,606 Class C voting common shares of Life Support. Both options are available to the Company contingent on Life Support meeting performance milestones and targets specific to each of the investments. The derivative associated with the option has not been recorded in the consolidated financial statements as the value has been assessed as insignificant. The performance milestones and targets specific to each investment were not met as of year-end, however, subsequent to year end, the first milestone was met and the Company exercised its additional purchase option (See Note 20). If the Company decides not to fund or pursue the remaining purchase option, the Company will not receive the additional common shares of Life Support. The Company will retain all existing shareholder rights in respect to the Class C voting common shares that it holds.

**(expressed in Canadian dollars)**

## 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | As at July 31, 2021 | As at July 31, 2020 |
|---|---|---|
| Trade accounts payable | 1,064,779 | 12,610 |
| Accrued liabilities | 50,609 | 96,040 |
| Accrued salaries, wages and benefits | 177,888 | — |
| **Accounts payable and accrued liabilities** | **$ 1,293,276** | **$ 108,650** |

## 12. LEASE LIABILITY

The Company's leases consist of commercial real estate leases and a vehicle. The Company has recognized right-of-use assets in respect of these leases (Note 9).

The Company has also recognized lease liabilities for these leases, which were initially measured at the present value of the future lease payments, discounted at rates ranging from 2.95% to 3.49%. Interest on lease liabilities is included in interest expense in the consolidated statements of loss and comprehensive loss. The carrying amount of the Company's lease liabilities is summarized in the table below.

| | Vehicles | Real Estate Leases | Total |
|---|---|---|---|
| **Balance as at July 31, 2020** | $ — | $ — | $ — |
| Lease additions | 61,846 | 333,133 | 394,979 |
| Interest expense | 356 | 459 | 815 |
| Lease payments | (2,765) | (1,723) | (4,488) |
| **Balance as at July 31, 2021** | **$ 59,437** | **$ 331,869** | **$ 391,306** |
| Current portion | 14,748 | 62,303 | 77,051 |
| Long-term portion | 44,689 | 269,566 | 314,255 |

The following table details the undiscounted cash flows and contractual maturities of the Company's lease obligations as at July 31, 2021:

| | Vehicles | Real Estate Leases |
|---|---|---|
| Year 1 | $ 16,588 | $ 71,080 |
| Year 2 | 16,588 | 71,080 |
| Year 3 | 16,588 | 71,080 |
| Year 4 | 13,824 | 20,680 |
| Year 5 | — | 21,542 |
| Thereafter | — | 111,845 |

During the year ended July 31, 2021, the Company entered into a short-term lease to rent a corporate office facility for its staff based in Toronto, Ontario. The Company incurred total costs of $65,019 (2020 - $nil), which are recorded in the consolidated statement of loss and comprehensive loss within general and administrative expenses. The Company is able to terminate its short-term lease with a two month notice to its landlord. Due to the short-term nature of this lease, and the Company's ability to terminate the lease with short-term notice, the Company has not recognized a right-of-use asset, and corresponding lease liability in connection its corporate office.

## 13. 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.

**(expressed in Canadian dollars)**

## 13. 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** |
| Issuance of units (e) | 5,766,941 | 33,092,104 | 2,883,471 | 5,834,747 |
| Issuance of broker warrant units (e) | — | — | 439,386 | 1,358,319 |
| Transaction costs (e) | — | (5,728,755) | — | (1,010,085) |
| Share repurchases (f) | (309,100) | (455,233) | — | — |
| | | | | |
| **Balance July 31, 2021** | **21,568,359** | **$ 31,655,148** | **6,700,279** | **$ 7,309,905** |

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.

The following table summarizes the range of inputs used by the Company in calculating the warrants fair-value using the Black Scholes option pricing model:

| | | |
|---|---|---|
| Share price | $ | 0.44 |
| Exercise price | $ | 0.80 |
| Expected dividend yield | | - |
| Expected volatility | | 99.3% |
| Risk free rate | | 0.34% |
| Expected life (years) | | 3 |
| Fair value per warrant | $ | 0.22 |

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.

**(expressed in Canadian dollars)**

## 13. SHARE CAPITAL AND WARRANTS (Continued)

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.

The following table summarizes the range of inputs used by the Company in calculating the broker warrant units fair-value using the Black Scholes option pricing model:

| | | |
|---|---|---|
| Share price | $ | 1.41 |
| Exercise price | $ | 1.75 |
| Expected dividend yield | | - |
| Expected volatility | | 99.1% |
| Risk free rate | | 0.340% |
| Expected life (years) | | 3 |
| Fair value per warrant | $ | 0.80 |

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.

The following table summarizes the range of inputs used by the Company in calculating the advisory warrant units, corporate finance units, and underlying broker units fair-value using the Black Scholes option pricing model:

| | | |
|---|---|---|
| Share price | $ | 1.41 |
| Exercise price | $ | 2.63 |
| Expected dividend yield | | - |
| Expected volatility | | 99.1% |
| Risk free rate | | 0.340% |
| Expected life (years) | | 3 |
| Fair value per warrant | $ | 0.69 |

Other transaction costs were paid in cash throughout the year ended July 31, 2020 for the above private placements in the amount of $260,282.

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, legal and syndicate fees of $431,511, and other direct listing costs of $129,497. The Company also issued 274,616 corporate finance units and 439,386 broker warrant units as part of the transaction. The fair value of the corporate finance units and broker warrant units was estimated using the Black-Scholes option pricing model (described below) to be $1,853,657 and $1,358,319, respectively. The total fair value of transaction costs is $6,738,840.

**(expressed in Canadian dollars)**

## 13. SHARE CAPITAL AND WARRANTS (Continued)

The fair value of the warrant component issued within the IPO and corporate finance units was estimated using the following assumptions. 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.

| | March 4, 2021 |
|---|---|
| Expected volatility | 85.91% |
| Expected life | 2 years |
| Expected forfeiture rate | 0% |
| Risk-free interest rate | 0.28% |
| Dividend yield | 0% |
| Weighted average share price | $ 5.74 |
| Weighted average fair value of warrants at grant date | $ 1.01 |

The fair value of broker warrant units issued was estimated using the Black-Scholes option pricing model with the following assumptions: 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.

| | March 4, 2021 |
|---|---|
| Expected volatility | 85.91% |
| Expected life | 2 years |
| Expected forfeiture rate | 0% |
| Risk-free interest rate | 0.28% |
| Dividend yield | 0% |
| Weighted average exercise price | $ 6.75 |
| Weighted average fair value of warrants at grant date | $ 3.09 |

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 Gravitas Securities Inc. on behalf of the Company through the facilities of the TSX Venture Exchange.

As of July 31, 2021, the Company purchased, for cancellation, a total of 309,100 common shares for $865,954 of cash consideration. As at July 31, 2021, the Company had cancelled 49,400 common shares, and the remainder of 816,555 common shares were held by Gravitas Securities Inc. on behalf of the Company, until they were
cancelled by the Company's transfer agent in August 2021. The weighted average cost of the cancelled shares totaled $455,233 resulting in a loss on cancellation of $410,721 allocated to deficit.

## 14. SHARE-BASED PAYMENT RESERVE

| | As at July 31, | |
|---|---|---|
| | 2021 | 2020 |
| Beginning balance | — | — |
| Share-based compensation | 3,374,095 | — |
| **Ending balance** | **$ 3,374,095** | **$ —** |

**(expressed in Canadian dollars)**

## 14. SHARE-BASED PAYMENT RESERVE (Continued)

### 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. On June 30, 2021, subject to shareholder and TSXV approval, the Company's directors approved an amendment to increase the maximum number of stock options reserved for issuance to 20% 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.

The Board of Directors authorized and approved the granting of 1,611,000 options on January 21, 2021, 399,500 options on June 11, 2021 and 870,000 options on July 2, 2021 under the Company's Plan to various directors, officers, employees and technical consultants. The Company forfeited a total of 50,000 options on June 11, 2021.

The following table summarizes the continuity of the stock options during the year ended July 31, 2021. There were no options granted during the year ended July 31, 2020.

| | As at July 31, 2021 | | |
|---|---|---|---|
| | **Number of options** | | **Weighted average exercise price $** |
| **Beginning balance** | — | $ | — |
| Granted | 2,880,500 | $ | 1.77 |
| Forfeitures | (50,000) | $ | 1.75 |
| **Ending balance** | **2,830,500** | **$** | **1.77** |

The following table provides additional information about the Company's stock options as at July 31, 2021:

| Grant date | Number of options outstanding | Exercise price $ | | Cancellation date | Number of options exercisable |
|---|---|---|---|---|---|
| January 21, 2021 | 1,561,000 | $ | 1.75 | January 21, 2026 | 295,125 |
| June 11, 2021 | 399,500 | $ | 1.65 | June 11, 2026 | — |
| July 2, 2021 | 870,000 | $ | 1.85 | July 2, 2026 | — |
| | **2,830,500** | **$** | **1.77** | | **295,125** |

Stock options granted were valued using the Black-Scholes option pricing model with the following weighted-average assumptions for the period ended July 31, 2021:

| | | For the year ended July 31, 2021 |
|---|---|---|
| Expected volatility | | 96.73% |
| Expected life | | 3 years |
| Expected forfeiture rate | | 0% |
| Risk-free interest rate | | 0.38% |
| Dividend yield | | 0% |
| Weighted average exercise price | $ | 1.77 |
| Weighted average fair value of options at grant date | $ | 3.06 |

The Company recorded share-based compensation expense for options of $3,374,095 (2020 – $nil) with an offsetting increase to the share-based payment reserve in respect of the stock options granted during the year ended July 31, 2021. No stock options were exercised during the year ended July 31, 2021 or 2020, and as a result $nil was transferred to share capital from the share-based payment reserve. The weighted average remaining life of the options is 4.67 years.

**(expressed in Canadian dollars)**

## 15. FINANCIAL 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.

### *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, including the regular monitoring of cash flow and maturity dates of financial assets and liabilities.

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.

| | | | As at July 31, 2021 | | |
|---|---|---|---|---|---|
| | On demand | Within one year | Between one and five years | More than five years | Total |
| Accounts payable and accrued liabilities | $ 1,293,276 | $ — | $ — | $ — | $ 1,293,276 |
| Due to related parties | — | — | — | — | — |
| Lease liabilities | — | 77,051 | 230,004 | 84,251 | 391,306 |
| **Total** | **$ 1,293,276** | **$ 77,051** | **$ 230,004** | **$ 84,251** | **$ 1,684,582** |

| | | | As at July 31, 2020 | | |
|---|---|---|---|---|---|
| | On demand | Within one year | Between one and five years | More than five years | Total |
| Accounts payable and accrued liabilities | $ 108,650 | $ — | $ — | $ — | $ 108,650 |
| Due to related parties | 46,033 | — | — | — | 46,033 |
| Lease liabilities | — | — | — | — | — |
| **Total** | **$ 154,683** | **$ —** | **$ —** | **$ —** | **$ 154,683** |

### *Credit risk*

The Company's credit risk arises from its $738,528 of cash on hand and cash deposits held with banks, $28,020,070 of short-term investments as at July 31, 2021 (July 31, 2020 - $5,255,396), and its due from related parties of $2,023,565 (July 31, 2020 - $nil), which represents the entities maximum exposure to credit risk. The balance due from related parties is entirely concentrated to Mednow East Inc. and Mednow Pharmacy Inc., discussed in Note 17.

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

### *Currency risk*

Currency risk is the risk that fluctuations in USD and CAD will impact the Company's results, including its financial statements. The Company's transactions that are exposed to the risk of foreign currency fluctuations primarily include the costs paid to develop the web application from a US-based third party company, and other vendors and suppliers who invoice and require payment in USD. The Company does not use derivative instruments to hedge its exposure to foreign currency translations.

**(expressed in Canadian dollars)**

## 16. 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:

| | Year Ended July 31, 2021 | 2020 |
|---|---|---|
| **General and administrative** | | |
| Payroll and subcontractor | $ 2,319,975 | $ 119,527 |
| Legal and professional | 430,318 | 58,406 |
| Director fees | 298,000 | 54,000 |
| Management fee | 156,000 | 10,000 |
| Investor relations, public company costs and other | 1,654,266 | 135,608 |
| Travel and meals | 82,075 | 8,399 |
| | **$ 4,940,634** | **$ 385,940** |

## 17. 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:

| | Year Ended July 31, 2021 | 2020 |
|---|---|---|
| Management and director remuneration | $ 846,622 | $ 138,983 |
| Share-based compensation expense - directors and officers | 2,304,859 | — |
| | **$ 3,151,481** | **$ 138,983** |

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 Pharmacy 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. Pursuant to the pharmacy agreement, the Company provided on-demand loans to Mednow East and Mednow West with the interest terms defined below:

During the year, the Company provided an on-demand, non-interest bearing loan to Mednow Clinic Ltd., a business controlled by management and a certain shareholder of Mednow Inc.

| | Year Ended July 31, 2021 | 2020 |
|---|---|---|
| **Due from (to) related party** | | |
| Mednow East Inc.- on demand, non-interest bearing | $ 845,115 | $ — |
| Mednow East Inc.- on demand, interest bearing at 18% per annum | 233,910 | — |
| Mednow Pharmacy Inc.- on demand, non-interest bearing | 684,687 | — |
| Mednow Pharmacy Inc.- on demand, interest bearing at 18% per annum | 217,350 | — |
| Mednow Clinic Ltd.- on demand, non-interest bearing | 42,503 | — |
| Care Health Inc. | — | (46,033) |
| | **$ 2,023,565** | **$ (46,033)** |

**(expressed in Canadian dollars)**

## 17. RELATED PARTY TRANSACTIONS (Continued)

| | Year Ended July 31, 2021 | Year Ended July 31, 2020 |
|---|---|---|
| **Revenues** | | |
| Mednow East Inc. | $ 207,000 | $ — |
| Mednow Pharmacy Inc. | 207,000 | — |
| | 414,000 | — |
| **General and administrative - management fees** | | |
| Care Health Inc. | **$ 60,000** | **$ —** |

All due to/from related party balances are 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 July 31, 2021, included in accounts payable and accrued liabilities was $16,831 (2020 – $nil) of payments owed to key management personnel.

## 18. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 27% (2020 – 27%) to the loss before income taxes for the year, and is reconciled as follows:

| | Year Ended July 31, 2021 | Year Ended July 31, 2020 |
|---|---|---|
| Net loss before income taxes | **$ (8,953,835)** | **$ (469,502)** |
| Statutory tax rate | 27% | 27% |
| Statutory income tax recovery | (2,417,535) | (126,765) |
| Tax rate changes and other adjustments | | |
| Share-based payment | 911,006 | — |
| Other non-deductible | 7,679 | 647 |
| Effect of losses not recognized | 1,604,329 | 186,253 |
| Effect of other temporary differences not recognized | (105,479) | (60,135) |
| **Income tax recovery** | **$ —** | **$ —** |

**(expressed in Canadian dollars)**

## 18. INCOME TAXES (Continued)

The effect of temporary differences and loss carry forwards that give rise to significant portions of deferred tax liability, which has been recognized during the year are as follows:

| | August 1, 2020 | Recognized in profit and loss | July 31, 2021 |
|---|---|---|---|
| **Deferred tax asset** | | | |
| Loss carry forwards | $ - | $ 105,635 | $ 105,635 |
| Lease liability | - | 105,653 | 105,653 |
| | | 211,288 | 221,288 |
| **Deferred tax liability** | | | |
| Property and equipment | $ - | $ (29,183) | $ (29,183) |
| Intangible assets | - | (79,034) | (79,034) |
| Right of Use Assets | - | (103,071) | (103,070) |
| | - | (211,288) | (211,288) |
| **Net deferred tax liability** | **$ -** | **$ —** | **$ —** |

Deferred tax assets have not been recognized in respect of the following gross deductible temporary differences and loss carry forwards:

| | Year Ended July 31, | |
|---|---|---|
| | 2021 | 2020 |
| Non-capital losses | $ 6,260,115 | $ 708,175 |
| Share issuance cost | 4,413,300 | 890,883 |
| Donation | 500 | — |
| Investment in equity securities | 4,525 | — |
| **Total** | **$ 10,678,440** | **$ 1,599,058** |

The Canadian non-capital loss carry forwards expire as noted in the table below. Share issuance costs will be fully amortized in 2025. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

| | |
|---|---|
| July 31, 2038 | 6,729 |
| July 31, 2039 | 12,841 |
| July 31, 2040 | 689,825 |
| July 31, 2041 | 5,941,961 |
| | **$ 6,651,356** |

## 19. INTEREST INCOME AND INTEREST EXPENSE

| | For the years ended July 31, | |
|---|---|---|
| | 2021 | 2020 |
| Interest income on Mednow East and Mednow West pharmacy agreements | 37,229 | — |
| Interest income on cash and cash equivalents | 12,862 | — |
| Interest expense- IFRS 16 | (815) | — |
| Loss on investment in equity securities | (4,525) | — |
| | **$ 44,751** | **$ —** |

## 20. SUBSEQUENTS EVENTS

On August 5, 2021, the Company completed the acquisition of 100% of the issued and outstanding shares of Ontario-based 2716725 Ontario Inc., which operates under the trade name Medvisit ("Medvisit") for a purchase price of $1,320,000 at closing, with additional earn-out payments based on milestones tied to Medvisit's business performance over the next two years. The Company is still in the process of assessing the fair value of the net assets acquired.

On September 7, 2021, after receiving regulatory approvals from the Nova Scotia College of Pharmacists, the Company's pharmacy in Nova Scotia opened for business under the trade name Mednow Pharmacy. The pharmacy is a wholly owned subsidiary of Mednow Inc. and is able to fill orders from walk-in patients as well as online orders in the province.

On September 15, 2021, the Company launched Mednow Virtual Care, a proprietary platform to provide virtual telemedicine services through the Mednow web application and mobile application. The mobile application is accessible to Apple and Android users.

On September 21, 2021, the Company entered into a share purchase agreement with Mednow Pharmacy Inc. Pursuant to the agreement and subject to regulatory approvals, the Company will acquire all of the issued and outstanding shares of Mednow Pharmacy Inc., a business controlled by management and certain shareholders of Mednow. The Company will pay cash consideration of $74,000 and will convert $908,000 owed by Mednow Pharmacy Inc, a company controlled by management and certain shareholders of Mednow, to the Company (based on the pharmacy agreement) into a non-interest bearing on-demand convertible promissory note.

In October 2021, the performance milestones and targets specific to a tranche of the Company's subscription agreement with Life Support were met. On October 18, 2021, the Company exercised its option to invest an additional amount of $250,000, paid in cash consideration, in return for 473,809 Class C voting common shares of Life Support.. This has been further discussed in Note 10 of these financial statements.

On October 20, 2021, the Board of Directors approved and authorized the granting of an additional 449,000 of stock options under the Company’s Plan.