

MEDNOW INC.

Consolidated Financial Statements
For the years ended July 31, 2022 and 2021
(expressed in Canadian dollars)



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Mednow Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Mednow Inc. and its subsidiaries (the "Company") as of July 31, 2022 and 2021, the related consolidated statements of loss and comprehensive loss, shareholder' equity, and cash flows for each of the years in the two-year period ended July 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of July 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the two-year period ended July 31, 2022, in conformity with the International Financial Reporting Standards.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has incurred recurring losses from operations, has negative cash flows from operating activities, and has an accumulated deficit that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2022
Richmond Hill, Ontario, Canada
March 14, 2023

/s/ SRCO Professional Corporation

CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

MEDNOW INC.
Consolidated Balance Sheets
(expressed in Canadian dollars)

		As at July 31,	
	Note	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	18	\$ 4,970,532	\$ 28,758,598
Accounts receivable	18	1,709,002	—
Sales tax receivable		468,308	256,824
Inventory		971,558	—
Prepaid expenses	6	322,720	644,103
Leases receivable	10	43,701	—
Due from related parties	20	—	2,023,565
Total current assets		8,485,821	31,683,090
Non-current assets			
Prepaid expenses	6	157,350	—
Due from related parties	20	158,945	—
Investment in equity securities	12	—	495,475
Property and equipment	8	2,362,121	1,081,263
Right-of-use assets	9	3,953,883	381,740
Leases receivable	10	113,457	—
Intangible assets	7	2,179,523	529,754
Goodwill	7	720,893	—
Total non-current assets		9,646,172	2,488,232
Total assets		\$ 18,131,993	\$ 34,171,322
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	13	\$ 3,902,601	\$ 1,293,276
Bank indebtedness	18	2,673,589	—
Current portion of lease liabilities	14	1,178,445	77,051
Due to related parties	20	240,055	—
Income taxes payable	21	104,937	—
Current portion of other cash consideration	4	353,201	—
Current portion of contingent consideration	4	102,152	—
Total current liabilities		8,554,980	1,370,327
Long-term liabilities			
Lease liabilities	14	3,119,425	314,255
Deferred revenue		5,246	—
Loan payable	18	30,000	—
Other cash consideration	4	329,218	—
Contingent consideration	4	83,644	—
Total long-term liabilities		3,567,533	314,255
Total liabilities		12,122,513	1,684,582
Shareholders' equity			
Share capital	15	31,655,178	31,655,148
Warrants	15	7,309,905	7,309,905
Share-based payment reserve	17	6,452,824	3,374,095
Deficit		(39,335,444)	(9,852,408)
		6,082,463	32,486,740
Non-controlling interest	16	(72,983)	—
Total shareholders' equity		6,009,480	32,486,740
Total liabilities and shareholders' equity		\$ 18,131,993	\$ 34,171,322
Contingencies (Note 25)			
Subsequent events (Note 26)			
Going concern (Note 3)			

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, 2022 and 2021
(expressed in Canadian dollars)

		For the years ended July 31,	
	Note	2022	2021
Revenue	19	\$ 16,638,670	\$ 414,000
Cost of sales	19	13,855,286	—
Gross profit		2,783,384	414,000
Expenses			
General and administrative	19	16,938,975	4,940,634
Share-based compensation	17	3,078,729	3,374,095
Marketing and sales		2,823,931	896,507
Depreciation and amortization	7, 8, 9	1,759,888	201,350
		24,601,523	9,412,586
Other expenses (income)	23	573,507	(44,751)
Asset impairment charges	22	7,680,214	—
Loss before income taxes		30,071,860	8,953,835
Current income tax expense	21	104,937	—
Deferred income tax recovery	21	(620,897)	—
Net loss and comprehensive loss for the year		\$ 29,555,900	\$ 8,953,835
Attributable to:			
Mednow Inc.		29,482,917	8,953,835
Non-controlling interest	16	72,983	—
		\$ 29,555,900	\$ 8,953,835
Loss per share - basic and diluted		\$ 1.37	\$ 0.49
Weighted average number of shares outstanding - basic and diluted		21,568,359	18,402,826

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

MEDNOW INC.
Consolidated Statements of Equity
For the years ended July 31, 2022 and 2021
(expressed in Canadian dollars)

	Note	Share Capital		Warrants	Share-based payment reserve	Deficit	Non- controlling interest	Total
		Common shares Number	Common shares Amount					
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	15a	5,766,941	33,092,104	5,834,747	—	—	—	38,926,851
Issuance of broker warrant units	15a	—	—	1,358,319	—	—	—	1,358,319
Share repurchases	15b	(309,100)	(455,233)	—	—	(410,721)	—	(865,954)
Share-based compensation	17	—	—	—	3,374,095	—	—	3,374,095
Transaction costs	15a	—	(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
Other transactions		—	30	—	—	—	—	30
Share repurchases		—	—	—	—	(119)	—	(119)
Share-based compensation	17	—	—	—	3,078,729	—	—	3,078,729
Net loss and comprehensive loss		—	—	—	—	(29,482,917)	(72,983)	(29,555,900)
Balance – July 31, 2022		21,568,359	\$ 31,655,178	\$ 7,309,905	\$ 6,452,824	\$ (39,335,444)	\$ (72,983)	\$ 6,009,480

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, 2022 and 2021
(expressed in Canadian dollars)

	Note	For the years ended July 31,	
		2022	2021
Cash used in operating activities			
Net loss		\$ (29,555,900)	\$ (8,953,835)
Non-cash items:			
Share-based compensation	17	3,078,729	3,374,095
Depreciation and amortization	7,8,9	1,759,888	201,350
Loss on investment in equity securities	12	147,237	4,525
Asset impairment charges	22	7,680,214	—
Deferred income tax recovery	21	(620,897)	—
Loss on fair value remeasurement of Doko	23	510,250	—
Revaluation of contingent consideration	23	(142,020)	—
Interest accretion on other cash consideration	4	20,633	—
Interest income		(14,940)	—
Interest expense		188,361	815
Changes in non-cash working capital			
Accounts receivable		(194,909)	—
Prepaid expenses		142,924	(644,103)
Sales tax receivable		(58,460)	(188,433)
Income taxes payable		198,693	—
Inventory		16,666	—
Accounts payable and accrued liabilities		754,632	617,260
Deferred revenue		2,396	—
Net cash used in operating activities		(16,086,503)	(5,588,326)
Cash from financing activities			
Repayment of loan payable	18	(10,000)	—
Bank indebtedness – net	18	971,830	—
Payment of lease liabilities	14	(622,643)	(4,488)
Issuance of units, net of issuance costs		—	33,546,330
Share repurchase		(119)	(865,954)
Net cash from financing activities		339,068	32,675,888
Cash used in investing activities			
Additions of intangible assets	7	(1,462,384)	(360,095)
Additions of property and equipment	8	(1,594,345)	(654,667)
Investment in equity securities	12	(250,000)	(500,000)
Issuance of note receivable		(500,000)	—
Acquisition of Infusicare Canada Inc.	4	(1,832,122)	—
Acquisition of 2716725 Ontario Inc.	4	(1,295,996)	—
Acquisition of Mednow Pharmacy Inc.	4	(16,200)	—
Acquisition of Mednow East Inc.	4	42,786	—
Acquisition of London Pharmacare Inc. and Liver Care Canada Inc.	4	(963,450)	—
Proceeds from sale of investment	11	90,000	—
Repayments of lease receivables	10	22,202	—
Net due to/from related parties		(281,122)	(2,069,598)
Net cash used in investing activities		(8,040,631)	(3,584,360)
Change in cash and cash equivalents during the year		(23,788,066)	23,503,202
Cash and cash equivalents – beginning of year		28,758,598	5,255,396
Cash and cash equivalents– end of year		\$ 4,970,532	\$ 28,758,598
Supplemental information:			
Interest paid		—	—
Taxes paid		—	—

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

MEDNOW INC.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021
(expressed in Canadian dollars)

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.

Mednow is a healthcare company that has developed a web and mobile application to facilitate the sale and distribution of prescription medications, and the delivery of virtual care and telemedicine services. The Company’s application is accessible and compatible with the internet browsers Apple Safari, Google Chrome, Mozilla FireFox, and Microsoft Edge on mobile phones and on personal computers. Through its technological infrastructure, the Company provides customers with a convenient and secure way to fill, order, receive and manage their prescriptions.

The Company owns and operates retail brick-and-mortar pharmacies that are located in British Columbia, Ontario, Manitoba and Nova Scotia. The Company offers doctor services such as virtual care and telemedicine services, as well as doctor home visits for patients in Ontario who are unable to leave their homes.

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

2. COVID-19

The coronavirus (“COVID-19”) was declared a pandemic by the World Health Organization in March 2020. Since then, COVID-19 has spread across the globe and is continuing to impact global economic, business and social activities. During this period of time, government authorities have implemented preventative and emergency measures, including travel bans and social distancing requirements, to mitigate the spread of COVID-19. The preventative and emergency measures have been gradually reduced in parts of the world in the last few months, including in Canada, largely as a result of the access and availability of vaccines, as well as due to the increasing number of vaccinated populations.

The Company has undertaken the following activities to prevent and contain the spread of COVID-19: (1) the implementation of enhanced safety and health measures, such as social distancing measures and sanitization and cleaning protocols; (2) the Company continues to offer select company staff in certain functions such as marketing, technology and administrative shared support services an option to work from home, or to adopt a hybrid work model.

The outbreak, related mitigation measures, as well as the potential emergence of other variants of COVID-19, may continue to have adverse impacts on global economic conditions as well as on the Company’s business activities. Management will continue to assess the impact of the coronavirus on its financial results.

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 financial statements are based on IFRS which have been applied consistently to all periods presented.

These financial statements were approved and authorized for issuance by the Board of Directors on March 14, 2023.

Basis of preparation

These financial statements have been prepared on a historical cost basis, except for the valuation of certain financial instruments, which are measured at their fair value. These financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

The Company’s fiscal year (the “period”, “fiscal year”, “year”) begins on August 1 and ends on July 31.

MEDNOW INC.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021
(expressed in Canadian dollars)

Going concern

The Company has incurred recurring losses from operations, has negative cash flows from operating activities, and has an accumulated deficit. The Company's continued existence is dependent on its ability to continue to execute its operating plan and to obtain additional debt or equity financing. These conditions raise substantial doubt about the Company's ability to continue as a going concern. There can be no assurance that the necessary debt or equity financing will be available or will be available on terms acceptable to the Company, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in the consolidated financial statements.

There is no certainty that the Company will be successful in generating sufficient cash flows from operations or achieving and maintaining profitable operations in the future to enable it to meet its obligations as they come due and consequently continue as a going concern. The Company will require additional financing to fund its operations. Management believes that it will be able to secure the necessary financing through shareholder loans and the issuance of new equity or debt instruments. As at July 31, 2022, the Company has an unutilized line of credit of \$2,326,411 (Note 18). Subsequent to year-end the Company raised approximately \$1,800,000 in additional financing (Note 26). Issuance of additional equity securities on the conversion of convertible debentures would result in the dilution of the interests of existing shareholders.

These consolidated financial statements have been prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business as they come due. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated balance sheets classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries. All intercompany transactions are eliminated on consolidation. As of July 31, 2022, the Company's subsidiaries incorporated under the Canada Business Corporations Act include:

Subsidiaries	Percentage of equity interest
Mednow Pharmacy NS Ltd. ("Mednow NS")*	100%
Mednow Pharmacy MB Ltd.*	100%
Mednow Pharmacy Inc. ("Mednow West")	100%
Mednow Operations Inc. ("Mednow Operations")*	100%
Mednow Virtual Care Ltd. ("Mednow Virtual Care")*	70%
Mednow Pharmacy Services Inc.	100%
10111132 Manitoba Ltd. ("Mednow MB")	100%
Mednow Technology Inc.	100%
2716725 Ontario Inc. ("Medvisit")	100%
Mednow Medical Inc. ("Mednow Medical")*	100%
Infusicare Canada Inc. ("Infusicare")	100%
Mednow Ontario Ltd.	100%
Mednow Clinic Services Inc.	100%
Liver Care Canada Inc. ("Liver Care")	100%
London Pharmacare Inc. ("London Pharmacare")	100%
Mednow Pharmacy AB Ltd. ("Mednow AB")	100%
Mednow East Inc. ("Mednow East")	100%

* There is no change in the shareholding of these entities. All other subsidiaries were acquired or established during the year ended July 31, 2022.

MEDNOW INC.**Notes to the Consolidated Financial Statements****For the years ended July 31, 2022 and 2021****(expressed in Canadian dollars)**

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 loss and comprehensive loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

The Company has control over the subsidiary when it has the right, and when it is exposed, to variable returns from the subsidiary, and when it has the ability to impact financial and operating returns through its power over the subsidiary. When the Company does not own all of the equity interest in the subsidiary, the non-controlling interest is disclosed as a separate line item in the consolidated balance sheet and the loss to non-controlling equity interest holders are disclosed as a separate line item in the consolidated statements of loss and comprehensive loss.

Segmented information and reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer, who is the chief operating decision maker of the Company. The financial results and business performance indicators for each operating segment are summarized in Note 24. Operating revenues are primarily comprised of the sale of prescription and over-the-counter medications at Company-owned retail pharmacy locations through online and walk-in channels, sales generated from virtual care, telemedicine and doctor home visit services, and the Company's marketing and technology support services pursuant to its pharmacy agreements. 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.

MEDNOW INC.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021
(expressed in Canadian dollars)

4. BUSINESS COMBINATIONS

Acquisition of Medvisit

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. The purchase price for the acquisition consisted of cash consideration of \$1,320,000 and additional earn-out payments of the estimated fair value \$107,338 based on milestones tied to Medvisit's business performance over two years starting from the date of acquisition. The earn-out payments have been discounted using a risk-adjusted discount rate based on the date they are payable. The Company will pay a maximum earn-out of \$680,000 over a two-year period (\$340,000 per year following the acquisition date), and the earn-out payment has been adjusted based on the target number of annual home visits pursuant to the share purchase agreement.

Through this strategic acquisition, the Company is able to expand and diversify its doctor services business in the province of Ontario, alongside its existing virtual care and telemedicine business.

The Company incurred acquisition costs of \$52,970 in connection with its acquisition of Medvisit which were included in general and administrative expenses on the consolidated statements of loss and comprehensive loss. The Company has recorded a measurement period adjustment of \$88,280 to decrease the amount of goodwill from \$738,516 as at April 30, 2022 to \$650,236 as at July 31, 2022, in respect of the deferred tax liability. The purchase price allocation as of the valuation date of August 5, 2021 is summarized below. The goodwill acquired is associated with Medvisit's workforce and expected future growth potential and is not expected to be deductible for tax purposes.

Consideration

Cash consideration	\$	1,320,000
Contingent consideration		107,338
Total consideration	\$	<u>1,427,338</u>

Current assets

Cash	24,004
Accounts receivable	238,770
Other current assets	10,857

Non-current assets

Property and equipment	15,889
Right-of-use assets	32,493
Customer relationships	42,000
Intellectual property	82,000
Brand	833,000
Goodwill	650,236

Current liabilities

Accounts payable and accrued liabilities	233,618
Loan payable	40,000
Lease liabilities	32,493

Non-current liabilities

Deferred tax liability	195,800
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Net assets acquired	\$	<u>1,427,338</u>
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MEDNOW INC.**Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021
(expressed in Canadian dollars)**

From the date of acquisition to July 31, 2022, Medvisit generated revenue of \$2,013,958, and a net loss of \$295,795 recorded in the consolidated statements of loss and comprehensive loss. If the acquisition had occurred on August 1, 2021, the Company estimates that it would have recorded \$299,903 in pro forma net loss for the year ended July 31, 2022.

As at July 31, 2022, the Company has reassessed the earn-out payments and does not expect to pay earn-out payments based on the Company's assessment of the number of annual home visits in the first year following the date of acquisition, as well as based on the assessment of projected annual home visits for the second year following the date of acquisition. The contingent consideration fair value adjustment of \$107,338 has been recorded in other expenses in the consolidated statements of loss and comprehensive loss.

The fair value of contingent consideration of Medvisit was calculated using the Monte Carlo valuation model. The key assumptions include a monthly growth factor of patient visits of 0.015% from the previous month and a discount rate of 5.24%.

Acquisition of Mednow West

On October 25, 2021, the Company completed the acquisition of 100% of the issued and outstanding shares of Mednow West, a business controlled by the management and certain shareholders of Mednow, for cash consideration of \$74,209 and the assumption of the on demand promissory note payable by Mednow West to Mednow Inc. of \$979,406 as at the date of acquisition. The amount owed by Mednow West to the Company prior to the acquisition, of \$979,406, was eliminated as an intercompany loan upon consolidation (Note 20). From the date of acquisition to July 31, 2022, Mednow West generated revenue of \$760,719 and a net loss of \$485,865 which was recorded in other expenses in the consolidated statements of loss and comprehensive loss. If the acquisition had occurred on August 1, 2021, the Company estimates that it would have recorded \$623,526 in pro forma net loss for the year ended July 31, 2022.

Through this strategic acquisition, the Company is able to serve patients at the Mednow West retail pharmacy located in Vancouver, British Columbia and throughout the province using the Mednow web and mobile application. The acquisition positions Mednow to continue to grow its retail pharmacy business.

The Company incurred acquisition costs of \$83,985 in connection with its acquisition of Mednow West which was included in general and administrative expenses on the consolidated statements of loss and comprehensive loss. The purchase price allocation as of the valuation date of October 25, 2021, is summarized below. The goodwill acquired is associated with Mednow West's workforce and expected future growth potential and is not expected to be deductible for tax purposes.

Consideration

Cash consideration	\$	74,209
Assumption of on demand promissory note		979,406
Total consideration	\$	<u>1,053,615</u>

MEDNOW INC.
Notes to the Consolidated Financial Statements
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(expressed in Canadian dollars)

Current assets	
Cash	58,009
Accounts receivable	28,540
Inventory	149,740
Other current assets	11,389
Non-current assets	
Property and equipment	56,464
Right-of-use assets	79,821
Customer relationships	26,000
Goodwill	862,314
Current liabilities	
Accounts payable and accrued liabilities	92,398
Current portion of lease liabilities	64,069
Non-current liabilities	
Lease liabilities	24,034
Deferred tax liability	38,161
Net assets acquired	\$ 1,053,615

Acquisition of Infusicare

On December 10, 2021, the Company completed the acquisition of 100% of the issued and outstanding shares of Infusicare, a business controlled by management, directors and shareholders of Mednow, for cash consideration of \$1,850,000. From the date of acquisition to July 31, 2022, Infusicare has generated revenue of \$6,531,103 and generated net income of \$30,518 which was recorded in the consolidated statements of loss and comprehensive loss. If the acquisition had occurred on August 1, 2021, the Company estimates that it would have recorded \$47,049 in pro forma net income for the year ended July 31, 2022.

Through this strategic acquisition, the Company is able to serve patients at the Infusicare retail pharmacy located in London, Ontario, and throughout the province of Ontario. The acquisition also positions Mednow to serve patients who require specialized and niche categories of biologic drugs, and to continue to grow the retail pharmacy business.

The Company incurred acquisition costs of \$47,837 in connection with its acquisition of Infusicare which is included in general and administrative expenses on the consolidated statements of loss and comprehensive loss. The Company has recorded a measurement period adjustment of \$431,927 to increase the amount of goodwill from \$789,682 as at January 31, 2022 to \$1,221,609 as at July 31, 2022, based on new information primarily relating to the collectability of accounts receivable balances and an adjustment to the deferred tax liability.

The purchase price allocation as of the valuation date of December 10, 2021, is summarized below. The goodwill acquired is associated with Infusicare's workforce and expected future growth potential and is not expected to be deductible for tax purposes. The Company is still in the process of finalizing the fair value of the intangible assets and goodwill acquired. The Company will finalize the accounting for the acquisition no later than one year from the date of acquisition.

Consideration paid	
Cash consideration	\$ 1,850,000
Total consideration	\$ 1,850,000

MEDNOW INC.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021
(expressed in Canadian dollars)

Current assets

Cash	17,878
Accounts receivable	615,891
Sales tax receivable	9,830
Inventory	239,637
Income tax recoverable	93,756
Prepaid expenses	34,103
Due from related parties	15,784

Non-current assets

Property and equipment	13,463
Right-of-use assets	1,015,086
Customer list	940,000
Goodwill	1,221,609

Current liabilities

Accounts payable and accrued liabilities	860,958
Bank indebtedness	229,985
Due to related parties	29,032
Current portion of lease liability	177,208

Non-current liabilities

Lease liabilities	837,878
Deferred tax liability	231,976

Net assets acquired	\$ 1,850,000
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MEDNOW INC.**Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021
(expressed in Canadian dollars)**

Acquisition of London Pharmacare and Liver Care

On February 22, 2022, the Company completed the acquisition of 100% of the issued and outstanding shares of London Pharmacare and Liver Care, businesses controlled by management, directors and shareholders of Mednow. The purchase price consists of: (1) cash consideration of \$1,065,000 paid on closing, (2) deferred cash payments of \$735,000, with an estimated fair value of \$661,786, to be paid equally on February 22, 2023 and February 22, 2024, representing the first and second year anniversaries following the date of the acquisition, and (3) earn-out payments with the estimated fair value of \$220,478 tied to Liver Care's business performance over two years starting from the date of acquisition. The other cash consideration and earn-out payments have been discounted using a risk-adjusted discount rate based on the date they are payable. From the date of acquisition to July 31, 2022, London Pharmacare and Liver Care generated revenue of \$6,471,603 and a net loss of \$953,454 recorded in the consolidated statements of loss and comprehensive loss. If the acquisition had occurred on August 1, 2021, the Company estimates that it would have recorded \$2,023,439 in pro forma net loss for the year ended July 31, 2022. The interest accretion during the period ended July 31, 2022 was \$20,633.

Through this strategic acquisition, the Company is able to serve patients at the London Pharmacare retail pharmacy located in London, Ontario, and throughout the province of Ontario. The acquisition also positions Mednow to serve patients who require specialized and niche categories of hepatology drugs, and to continue to grow the retail pharmacy business.

The Company incurred acquisition costs of \$125,771 in connection with its acquisition of London Pharmacare and Liver Care which is included in general and administrative expenses on the consolidated statements of loss and comprehensive loss. The Company has recorded a measurement period adjustment of \$63,973 to increase the amount of goodwill from \$2,443,937 as at April 30, 2022 to \$2,507,910 as at July 31, 2022. This adjustment is based on new information primarily relating to the collectability of accounts receivable, deferred income and the income tax liability. The purchase price allocation as of the valuation date of February 22, 2022, is summarized below. The goodwill acquired is associated with London Pharmacare and Liver Care's workforce and expected future growth potential and is not expected to be deductible for tax purposes. Due to the complexity associated with the valuation process, the Company is still in the process of finalizing the fair value of the intangible assets and goodwill acquired. Subsequent to the year end, the Company will finalize the accounting for the acquisition no later than one year from the date of acquisition as required by IFRS 3.

The fair value of contingent consideration of London Pharmacare and Liver Care was calculated based on discounted cash flow models that represent management's projections based on current and anticipated market conditions. The key assumptions include a discount rate of 6.6% and a revenue growth rate of (18%) for the fiscal 2023 year. These assumptions are considered to be Level 3 in the fair value hierarchy.

During the year ended July 31, 2022, the Company recorded a gain on the change in fair value of \$34,682 in other expenses in the consolidated statements of loss and comprehensive loss.

Consideration paid

Cash consideration	\$	1,065,000
Other cash consideration		661,786
Contingent consideration		220,478
Total consideration	\$	1,947,264

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Current assets

Cash	101,550
Accounts receivable	610,211
Sales tax receivable	30,859
Inventory	313,364
Prepaid expenses	323
Current portion of leases receivable	43,283
Intercompany receivable	44,930
Due from related parties	360,463

Non-current assets

Prepaid expenses	49,750
Investment in equity securities	90,000
Property and equipment	220,930
Right-of-use assets	786,319
Leases receivable	131,387
Doctor relationships	540,000
Goodwill	2,507,910

Current liabilities

Accounts payable and accrued liabilities	919,354
Bank indebtedness	1,446,421
Sales tax payable	29,227
Current portion of lease liability	318,142
Due to related parties	449,306
Deferred revenue	2,850

Non-current liabilities

Lease liabilities	642,847
Deferred tax liability	75,868

Net assets acquired	\$ 1,947,264
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Acquisition of Mednow East

On March 31, 2022, the Company completed the acquisition of 100% of the issued and outstanding shares of Mednow East, a business controlled by management, directors and certain shareholders of Mednow, for cash consideration of \$65,578 and the assumption of the on demand promissory note payable by Mednow East to Mednow Inc. of \$1,380,437 as at the date of acquisition. The amount owed by Mednow East to the Company prior to the acquisition, of \$1,380,437, was eliminated as an intercompany loan upon consolidation (Note 20). From the date of acquisition to July 31, 2022, Mednow East generated revenue of \$116,245 and net loss of \$71,791 which was recorded in the consolidated statements of loss and comprehensive loss. If the acquisition had occurred on August 1, 2021, the Company estimates that it would have recorded \$215,372 in pro forma net loss for the year ended July 31, 2022.

Through this strategic acquisition, the Company is able to serve patients at the Mednow East retail pharmacy located in Toronto, Ontario and through the province using the Mednow web and mobile application. The acquisition positions Mednow to continue to grow its retail pharmacy business.

The Company incurred acquisition costs of \$58,732 in connection with its acquisition of Mednow East which is included in general and administrative expenses on the consolidated statements of loss and comprehensive loss. The purchase price allocation as of the valuation date of March 31, 2022, is summarized below. The goodwill acquired is associated with Mednow East's workforce and expected future growth potential and is not expected to be deductible for tax purposes. The Company is still in the process of finalizing the fair value of the net assets acquired, including goodwill and intangible assets acquired. The Company will finalize the accounting for the acquisition no later than one year from the date of acquisition as required by IFRS 3.

Consideration paid

Cash consideration	\$	65,578
Assumption of on demand promissory note		1,380,437
Total consideration	\$	1,446,015

Current assets

Cash	108,364
Accounts receivable	36,752
Sales tax receivable	121,162
Inventory	285,483
Prepaid expenses	7,991
Due from related parties	24,325

Non-current assets

Property and equipment	1,498
Right-of-use assets	126,749
Customer list	297,000
Goodwill	720,893

Current liabilities

Accounts payable and accrued liabilities	76,619
Due to related parties	706
Current portion of lease liability	41,430

Non-current liabilities

Lease liabilities	86,354
Deferred tax liability	79,093

Net assets acquired	\$	1,446,015
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5. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

Significant Judgements, Assumptions and Estimates

The preparation of the Company's 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 significant estimates and assumptions that have been made during the year ended July 31, 2022, in applying the Company's accounting policies that have a significant impact on the amounts in these financial statements.

- The determination of the purchase price accounting of the businesses that the Company has acquired, including the acquisition date fair value of the identifiable assets and liabilities acquired and the fair value of contingent consideration as well as the associated remeasurement of earnouts. The underlying assumptions and estimates used for the purchase price accounting impact the asset and liability amounts recorded in the consolidated balance sheet on the acquisition date. The estimated economic lives of the acquired amortizable assets, the identification of intangible and fixed assets, the determination of the indefinite or finite useful lives of intangible and fixed assets acquired, and the application of IFRS 16 lease accounting standards impact the Company's profit or loss from the date of acquisition.
- The judgement and assumptions used by the Company in assessing the presentation of revenue on a gross versus net basis for the doctor services operating segments. This assessment is based on various factors, including whether the Company controls the service provided to the patient, and whether the Company is the principal in the transaction (which would lead to the gross recognition of revenue), or whether the Company is the agent in the transaction (which would lead to the net recognition of revenue). The assessment of whether the Company is considered the principal or agent has an impact primarily on the accounting of the amount of revenue and cost of sales recorded.
- The expected credit losses ("ECL") applied against loans, including accounts receivable, leases receivable and due from related parties based on forward-looking factors.
- The judgment and assumptions used by the Company in assessing the acquisitions of London Pharmacare and Liver Care on the acquisition date of February 22, 2022 as a single business acquisition. This assessment is based on factors, including whether the acquisitions are entered into at the same time or in contemplation of each other, whether the acquisitions form a single transaction designed to achieve an overall commercial effect, whether the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement, and whether one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.
- The determination of the valuation of inventory, including the assumptions used to calculate the net realizable value of the inventory.
- The judgement used by the Company in assessing for indicators of impairment for the Company's intangible and tangible assets, performing the annual impairment test, as well as the assumptions and estimates used to calculate and record asset impairment charges and/or the determination of the recoverable amounts of tangible and intangible assets subject to depreciation, amortization, or with indefinite lives.
- The assumptions and judgement applied to assess and determine the cash generating units of the Company and the impairment of goodwill, including the growth rates and discount rate assumed in the model.
- 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 Company applied judgment when determining share-based expenses using the Black-Scholes option pricing model, which 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 determination of the incremental borrowing rate used to calculate and record the Company's right-of-use assets and lease liabilities, as well as the determination of the Company's lease renewal options. 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.

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- 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.

Business Combinations, Non-Controlling Interest and Goodwill

For the year ended July 31, 2022, the Company adopted IFRS 3, Business Combinations, as the Company completed acquisitions discussed in Note 4. IFRS 3 establishes requirements for how an acquirer in a business combination recognizes and measures in its financial statements the assets acquired and liabilities assumed; recognizes and measures the goodwill acquired in the business combination; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The Company has elected to apply the acquisition model in accordance with IFRS 3 for accounting for business combinations under common control.

The Company has also applied IFRS 3 to recognize, measure and disclose the non-controlling interest ("NCI") in its virtual care and telemedicine business which operates as Mednow Virtual Care Ltd., a subsidiary controlled by Mednow Inc. Non-controlling interest represents the equity interest that is owned by parties outside of the Company. The share of net assets of the subsidiaries attributable to non-controlling interest is presented as a component of equity.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed were recognized at their fair value. Goodwill was measured as the excess of the sum of the consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is allocated to the cash generating unit ("CGU") or group of CGUs which are expected to benefit from the synergies of the combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Contingent consideration was measured at fair value at the time of the business combination and was taken into account in the determination of goodwill. The contingent consideration liability is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in other expenses (income) on the consolidated statements of loss and comprehensive loss. Acquisition costs are expensed as incurred.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with changes impacting goodwill. Measurement period adjustments arise from additional information obtained during the measurement period which cannot exceed one year from the acquisition date about circumstances that existed at the acquisition date.

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

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties subject to common control are also considered to be related. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. The Company's related party transactions are described in Note 20.

Inventory

Inventory is comprised of finished goods. Inventory is valued and recorded at the lower of cost and net realizable value. Cost is determined on a weighted average basis. Cost includes all direct expenses in bringing inventory to its present condition and location, net of consideration received from suppliers and vendors. Net realizable value (\$Nil in 2022) is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Inventory is written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, shrinkage or declining retail prices. The Company records consideration received from suppliers and vendors as a reduction to the cost of inventory, and these amounts are recognized in cost of sales when the associated inventory is sold.

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Leases Receivable

The leases receivable balance relates to leases that the Company has entered into with the landlord and has subsequently entered into a sublease agreement with the tenant. The lease receivable for the sublease was measured at the amount equal to the lease liability, and includes the underlying interest income resulting from the sublease agreement.

When the Company enters into sublease arrangements as an intermediate lessor, the Company assesses whether the sublease is classified as a finance sublease or an operating sublease by reference to the corresponding right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

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 and impairment loss, if any, 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.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and impairment, if any. Repairs and maintenance expenses are charged as expenses in the consolidated statements of loss and comprehensive loss, as and when incurred. Expenditures that extend the estimated life of an asset are capitalized. The assets are amortized when they are available for use. Property and equipment include the cost of buying and replacing component parts of equipment and any expenditures required to make the equipment ready for use. Property and equipment acquired in a business combination are initially recognized at their fair value at the acquisition date.

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:

Automation equipment	10 years
Leasehold improvements	Lease term or 5 – 7 years, whichever is lower
Vehicles	2 - 5 years
Furniture and fixtures	5 years
Computer equipment	3 years
Medical equipment	3 - 10 years

Property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 consolidated statements of loss and comprehensive loss.

Intangible Assets

Intangible assets acquired are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Amortization is calculated using the straight-line basis as this approach best reflects the consumption and benefit patterns pertaining to the asset's use. The Company's indefinite life intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that the indefinite life intangible assets may be impaired. The customer relationships, doctor relationships and intellectual property are tested for impairment when indicators are present.

Software	3 years
License	2 - 3 years
Customer and doctor relationships	5-10 years
Intellectual property	5 years
Brand	Indefinite life

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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 consolidated statements of loss and comprehensive loss. The software intangible asset includes costs capitalized to build and develop the Company's web and mobile application software. 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;
- Its 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 web and mobile application. All other expenditures, including operating costs, are recognized in the consolidated statements of loss and comprehensive loss.

The Company has recognized the following intangible assets from its acquisitions based on the purchase price allocation (Note 4) that was performed during the year ended July 31, 2022.

- Customer and doctor relationships - The Company's customer and doctor relationships consist of the fair value assessed using management's financial projections, historical data and assumptions based on repeat customers for the Medvisit doctor home visits business and the Mednow West, London Pharmacare, Mednow East and Infusicare retail pharmacies, and based on the Company's ability to continue to retain doctors for the Liver Care business.
- Intellectual property - The Company's intellectual property consists of the fair value of the internally developed application that is used by doctors for the coordination and scheduling of doctor home visits, to record patient medical reports and diagnosis, as well as to bill the provincial health care plan. The application is used by Medvisit for its doctor home visits business.
- Brand - The Company's brand consists of the value attached to the Medvisit operating trade name based on management's financial projections and assumptions.

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 Company has elected not to recognize right-to-use assets and lease liabilities for short-term leases that have a remaining lease term of 12-months or less and low-value assets. 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, automation equipment and vehicles.

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.

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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. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate recognized as expenses in the period in which the event or condition that triggers the payment occurs. 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.

Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income. Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of prior years.

Deferred income taxes are recorded based on temporary differences between the tax base of assets and liabilities and their carrying values in the financial statements. Deferred income taxes are determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated balance sheet dates and are expected to apply when the deferred income tax asset or liability is recovered or settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

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.

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 consolidated statements 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.

Revenue Recognition

The Company's operating revenue is primarily comprised of sales from four (4) sources:

- (1) The Company sells prescription and over-the-counter medications at its retail pharmacies through online and walk-in channels. The Company owns brick-and-mortar retail pharmacies which service patients in the provinces of British Columbia, Ontario, Manitoba and Nova Scotia.
- (2) The Company offers doctor services, such as virtual care and telemedicine services, which are facilitated through the web and mobile application, as well as doctor home visits for patients who are unable to leave their homes. Virtual care and telemedicine services are offered in the provinces of British Columbia and Ontario, and doctor home visits are offered in Ontario. The Company enters into consulting agreements with doctors, pursuant to which the doctors provide medical consultations to patients, and the Company provides the technological infrastructure, including a proprietary web and mobile application to facilitate the delivery of virtual care, telemedicine services and doctor home visits. For a majority of doctors, the Company pays the doctors a fixed percentage of the gross billings for each patient/doctor consultation. The Company bills and collects the gross billings for each patient/doctor consultation primarily from

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the provincial health care plan; out of pocket costs are billed and collected from the patient and private insurance plans. The gross billings for each patient/doctor consultation are recorded as revenue in the consolidated statements of loss and comprehensive loss when the service has been provided to the patient. Gross billings for consultations are variable, based on the nature of each medical consultation. The Company has applied judgement and used assumptions to conclude that it is the principal in the doctor services operating segments.

(3) The Company provided marketing and technology support services to Mednow West and Mednow East pursuant to the pharmacy agreement discussed in Note 20.

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.

(4) Pursuant to its franchise agreement with Pharmacie Raji Al-Kurdi Inc. ("franchisee"), the Company provided the franchisee with the (i) license to use the Company's intellectual property, including its web and mobile application, to access patients in the province of Quebec, (ii) pharmacy training materials, (iii) marketing and promotional materials, and (iv) shared support services, such as resources for payroll, accounting and technology functions. Revenue from the franchise agreement is comprised of royalty revenue pursuant to the franchise agreement, and a monthly fee for shared support services. The Company's franchised retail brick-and-mortar pharmacy is located in Saint-Laurent, Quebec.

Revenue is recognized on prescription and over-the-counter medication sales when control of the goods has been transferred to the patient, which occurs at the time the point of sale is made. For walk-in patients this occurs at the time the product is delivered, and for ship to orders this occurs when the product has been delivered. Revenue is measured at the amount of consideration the Company expects to be entitled to, net of sales tax, discounts, and sales adjustments. The Company does not have the practice of providing returns.

Cost of Sales

Cost of sales is comprised of the product cost of goods sold in Company-owned retail pharmacy stores through online and walk-in channels. Products sold at the Company's retail pharmacy stores primarily consist of prescription and over-the-counter medications.

Cost of sales also includes the cost of the consulting fees paid to doctors for virtual care and telemedicine services, as well as doctor home visits.

Acquisition Costs

Acquisition costs, reported under General and Administrative expenses on the consolidated statements of loss and comprehensive loss, include costs associated with business combinations, whether completed or not, such as advisory, legal, accounting, valuation and other professional or consulting fees.

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 as 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.

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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 monetary assets and liabilities are translated using the year end exchange rates. 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.

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, 2022 and July 31, 2021, were not included in the computation of loss per share because their effect was anti-dilutive.

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.

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet 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 consolidated statement of loss and comprehensive loss.

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.

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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 consolidated balance sheet 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.

Impairment of financial assets measured subsequently at amortized cost

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Loss allowance for trade and other receivables are always measured at an amount equal to lifetime expected credit losses ("ECL") if the amount is not considered fully recoverable. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Financial instruments	Recognition Method
Assets	
Cash and cash equivalents	Amortized Cost
Accounts receivable	Amortized Cost
Due from related parties	Amortized Cost
Note receivable	FVTPL
Liabilities	
Accounts payable and accrued liabilities	Amortized Cost
Bank indebtedness	Amortized Cost
Loan payable	Amortized Cost
Due to related parties	Amortized Cost
Contingent consideration related to business acquisition	FVTPL
Other cash consideration related to business acquisition	Amortized Cost
Lease liabilities	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:

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- 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).

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Standards, Amendments and Interpretations Issued but not yet Adopted

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2022 and, accordingly, have not been applied in preparing these consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Company is currently assessing the impact of the amendments.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company's consolidated financial statements.

IAS 12: Amendment to IAS 12, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

In May 2021, the IASB issued targeted amendments to IAS 12 – Income Taxes to specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. The Company is assessing the potential impact of the amendment.

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6. PREPAID EXPENSES

	As at July 31, 2022		As at July 31, 2021
	Current	Non-current	Current
Prepaid equipment	\$ —	\$ —	\$ 94,575
Prepaid advertising and investor relations	78,248	6,500	391,163
Prepaid rent	25,481	104,871	24,400
Prepaid dues and subscriptions	66,745	1,063	41,795
Prepaid insurance	152,246	44,916	92,170
Prepaid expenses	\$ 322,720	\$ 157,350	\$ 644,103

7. INTANGIBLE ASSETS AND GOODWILL

INTANGIBLE ASSETS

The Company's intangible assets comprise of the following:

COST	Software	License	Customer Relationships	Intellectual Property	Brand	Doctor Relationships	Total
Balance as at July 31, 2020	\$ 217,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 217,000
Additions	467,427	—	—	—	—	—	467,427
Balance as at July 31, 2021	\$ 684,427	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 684,427
Additions	1,162,955	200,850	—	—	—	—	1,363,805
Acquisitions through business combinations	—	—	1,305,000	82,000	833,000	540,000	2,760,000
Impairment	—	—	(1,008,000)	(82,000)	(833,000)	—	(1,923,000)
Balance as at July 31, 2022	\$1,847,382	\$ 200,850	\$ 297,000	\$ —	\$ —	\$ 540,000	\$ 2,885,232

ACCUMULATED AMORTIZATION

Balance as at July 31, 2020	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Amortization	154,673	—	—	—	—	—	154,673
Balance as at July 31, 2021	\$ 154,673	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 154,673
Amortization	449,039	71,264	76,593	16,400	—	20,833	634,129
Impairment	—	—	(66,693)	(16,400)	—	—	(83,093)
Balance as at July 31, 2022	\$ 603,712	\$ 71,264	\$ 9,900	\$ —	\$ —	\$ 20,833	\$ 705,709

NET BOOK VALUE

At July 31, 2021	\$ 529,754	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 529,754
At July 31, 2022	\$1,243,670	\$ 129,586	\$ 287,100	\$ —	\$ —	\$ 519,167	\$ 2,179,523

During the year ended July 31, 2022, the Company added \$1,363,805 (2021: \$467,427) of intangible assets, out of which \$1,462,384 (2021: \$360,095) was paid in cash consideration, which includes \$107,332 of intangible assets that were added during the year ended July 31, 2021, and \$8,753 (2021: \$107,332) is in accounts payable as at July 31, 2022, in the Company's consolidated statements of financial position.

On November 12, 2021, the Company entered into an agreement with TruDiagnostic, a United States based company, to acquire a two year license and distribution rights to sell epigenetic testing kits to patients in Canada. The license has been recorded as an intangible asset.

The Company's asset impairment charges are discussed in Note 22.

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GOODWILL

	Goodwill on the date of acquisition	Asset impairment charges (Note 22)	As at July 31, 2022
Medvisit	\$ 650,236	\$ (650,236)	\$ —
Mednow West	862,314	(862,314)	—
Infusicare	1,221,609	(1,221,609)	—
London Pharmacare and Liver Care	2,507,910	(2,507,910)	—
Mednow East	720,893	—	720,893
	\$ 5,962,962	\$ (5,242,069)	\$ 720,893

8. PROPERTY AND EQUIPMENT

COST	Automation Equipment	Leasehold Improvements	Vehicles	Furniture and Fixtures	Computer Equipment	Medical Equipment	Total
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
Additions	190,000	777,558	—	205,745	191,366	—	1,364,669
Acquisitions through business combinations	—	155,937	20,791	24,202	7,289	100,025	308,244
Balance as at July 31, 2022	\$ 998,250	\$ 1,134,271	\$ 43,326	\$ 242,934	\$ 268,808	\$ 100,025	\$ 2,787,614

**ACCUMULATED
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
Depreciation	85,573	159,433	18,914	26,415	60,265	41,455	392,055
Balance as at July 31, 2022	\$ 100,781	\$ 159,433	\$ 26,907	\$ 27,566	\$ 69,351	\$ 41,455	\$ 425,493

NET BOOK VALUE

At July 31, 2021	\$ 793,042	\$ 200,776	\$ 14,542	\$ 11,836	\$ 61,067	\$ —	\$ 1,081,263
At July 31, 2022	\$ 897,469	\$ 974,838	\$ 16,419	\$ 215,368	\$ 199,457	\$ 58,570	\$ 2,362,121

During the year ended July 31, 2022, the Company added \$1,364,669 (2021: \$1,114,701) of property and equipment, out of which \$1,594,345 (2021: \$654,667) was paid in cash consideration, which includes \$460,033 of property and equipment that was added during the year ended July 31, 2021, and \$230,357 (2021: \$460,033) is in accounts payable as at July 31, 2022, in the Company's consolidated statements of financial position.

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9. RIGHT-OF-USE ASSETS

	Vehicles	Real Estate Leases	Other	Total
Balance as at July 31, 2020	\$ —	\$ —	\$ —	\$ —
Lease additions	61,846	333,133	—	394,979
Depreciation	(2,577)	(10,662)	—	(13,239)
Balance as July 31, 2021	\$ 59,269	\$ 322,471	\$ —	\$ 381,740
Lease additions	35,564	2,038,987	190,828	2,265,379
Acquisitions through business combinations	—	2,004,493	35,975	2,040,468
Depreciation	(21,389)	(700,756)	(11,559)	(733,704)
Balance as at July 31, 2022	\$ 73,444	\$ 3,665,195	\$ 215,244	\$ 3,953,883

10. LEASES RECEIVABLE

	Real Estate Leases
Balance as at July 31, 2021	\$ —
Acquisitions through business combinations	174,670
Interest income	4,690
Lease receipts	(22,202)
Balance as at July 31, 2022	\$ 157,158
Current portion	43,701
Long-term portion	113,457

The interest rate on leases receivable is within the range of 2.95% to 10.53%. The following table details the undiscounted cash flows and contractual maturities of the Company's lease receivables as at July 31, 2022:

Finance leases

Year 1	\$ 53,288
Year 2	53,288
Year 3	46,863
Year 4	22,089
Total undiscounted lease payments	\$ 175,528
Unearned finance income	(18,370)
Net investment in the lease	\$ 157,158

11. INVESTMENT IN FINANCIAL ASSET

On February 22, 2022, the Company completed the acquisitions of Liver Care and London Pharmacare, and assumed ownership of 50,700 common shares of Innovative Canadian Capital Growth Inc. ("ICCG"), a privately held Canadian company that is developing hydro and power management technologies. On May 13, 2022, the Company completed the sale of 50,700 common shares of ICCG for proceeds of \$90,000 with no gain or loss recognized on the consolidated statement of loss and comprehensive loss.

12. INVESTMENT IN EQUITY SECURITIES

Balance as at July 31, 2020	\$ —
Subscription in investment in equity securities	500,000
Share of loss on investment in equity securities	(4,525)
Balance as at July 31, 2021	\$ 495,475
Subscription in investment in equity securities	250,000
Share of loss on investment in equity securities	(147,237)
Asset impairment charges	(598,238)
Balance as at July 31, 2022	\$ —

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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 was able to expand and diversify its portfolio of healthcare services that it can provide to its patients.

On July 9, 2021 the Company paid cash consideration of \$500,000 to Life Support, and received 1,265,968 Class C voting common shares of Life Support. On October 18, 2021, the Company paid cash consideration of \$250,000 to purchase an additional 473,809 Class C voting common shares of Life Support. As of July 31, 2022, the Company has an equity interest of 12.3% (2021: 10.5%) in Life Support.

The Company 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, contingent on Life Support meeting performance milestones and targets pursuant to the subscription agreement. The derivative associated with the option has not been recorded in the financial statements as the value has been assessed as insignificant. The performance milestones and targets were not met as of July 31, 2022. 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.

On July 31, 2022, the Company identified and assessed indicators of impairment related to Life Support securities. The amount of the impairment was determined using management's estimates and assumptions, including assessments and evaluation of historical and projected future financials of Life Support. As a result, the Company has recognized an impairment loss of \$598,238 in the consolidated statements of loss and comprehensive loss which has reduced the investment carrying value to \$Nil (2021: \$495,475).

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. Life Support's financial information is summarized below:

Life Support Financial Information

	As at July 31,	
	2022	2021
Current assets	\$ 9,585	\$ 346,988
Non-current assets	3,173	4,330
Current liabilities	772,943	420,263
Non-current liabilities	442,560	200,000
Total liabilities	1,215,503	620,263
	Year ended July 31, 2022	Year ended July 31, 2021
Revenue for the period	\$ 4,541	\$ —
Loss from operations for the period ended July 31	(1,149,585)	(66,795)

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at July 31,	
	2022	2021
Trade accounts payable (Notes 7 and 8)	\$ 2,407,673	\$ 1,064,779
Accrued liabilities	559,896	50,609
Accrued salaries, wages and benefits	935,032	177,888
Accounts payable and accrued liabilities	\$ 3,902,601	\$ 1,293,276

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14. LEASE LIABILITIES

The Company's leases primarily consists of commercial real estate leases and vehicles. 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 10.53% (2021: 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	Other	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
Lease additions	35,564	1,968,135	138,075	2,141,774
Acquisitions through business combinations	—	2,187,478	36,977	2,224,455
Interest expense	3,670	156,975	2,333	162,978
Lease payments	(23,563)	(587,450)	(11,630)	(622,643)
Balance as at July 31, 2022	\$ 75,108	\$ 4,057,007	\$ 165,755	\$ 4,297,870
Current portion	\$ 21,830	\$ 1,128,959	\$ 27,656	\$ 1,178,445
Long-term portion	\$ 53,278	\$ 2,928,048	\$ 138,099	\$ 3,119,425

The following table details the undiscounted cash flows and contractual maturities of the Company's lease obligations as at July 31, 2022:

	Vehicles	Real Estate Leases	Other
Year 1	\$ 24,958	\$ 1,394,075	\$ 37,051
Year 2	24,958	1,323,106	37,051
Year 3	22,194	787,506	26,878
Year 4	8,370	516,148	23,160
Year 5	1,395	310,211	23,160
Thereafter	—	506,336	40,530

During the year ended July 31, 2022, 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 \$73,916 (2021: \$65,019), which are recorded in the consolidated statements of loss and comprehensive loss within general and administrative expenses. The Company terminated its short-term lease with a notice to its landlord effective November 30, 2021. Due to the short-term nature of this lease, and the Company's ability to terminate the lease with short-term notice, the Company did not recognize a right-of-use asset, and corresponding lease liability in connection its corporate office.

15. SHARE CAPITAL AND WARRANTS

The Company is authorized to issue an unlimited number of Class A, B and C common shares with no par value.

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.

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.

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	Class A Common Shares		Warrants	
	Shares	Amount \$	Warrants	Amount \$
Balance as at July 31, 2020	16,110,518	\$ 4,747,032	3,377,422	\$ 1,126,924
Issuance of units (a)	5,766,941	33,092,104	2,883,471	5,834,747
Issuance of broker warrant units (a)	—	—	439,386	1,358,319
Transaction costs (a)	—	(5,728,755)	—	(1,010,085)
Share repurchases (b)	(309,100)	(455,233)	—	—
Balance as at July 31, 2021	21,568,359	31,655,148	6,700,279	7,309,905
Other transactions	—	30	—	—
Balance as at July 31, 2022	21,568,359	\$ 31,655,178	6,700,279	\$ 7,309,905

a) 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.

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

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b) 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 Gravitass Securities Inc. on behalf of the Company through the facilities of the TSX Venture Exchange.

As at July 31, 2022, the Company purchased and cancelled a life to date total of 309,100 (2021: 309,100) common shares for \$865,954 (2021: \$865,954) of cash consideration. The life to date weighted average cost of the cancelled shares totaled \$455,233 (2021: \$455,233) resulting in a loss on cancellation of \$410,840 (2021: \$410,721) allocated to deficit. The Company did not purchase and cancel any shares during the year ended July 31, 2022.

16. MEDNOW VIRTUAL CARE

	As at July 31,	
	2022	2021
Current assets	\$ 29,740	\$ —
Non-current assets	30	—
Current liabilities	272,945	—
Total liabilities	272,945	—
	Year ended July 31	
	2022	2021
Revenue for the year	\$ 55,592	\$ —
Loss from operations for the year	(243,275)	—
Attributable to:		
Mednow Inc.	(170,292)	—
NCI	(72,983)	—

17. SHARE-BASED PAYMENT RESERVE

	As at July 31,	
	2022	2021
Beginning balance	\$ 3,374,095	\$ —
Share-based compensation	3,078,729	3,374,095
Ending balance	\$ 6,452,824	\$ 3,374,095

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 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.

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The following tables summarize the continuity of the stock options during the years ended July 31, 2022 and 2021.

	Number of options	Weighted average exercise price
Balance as at July 31, 2021	2,830,500	\$ 1.77
Granted	1,656,500	\$ 0.85
Cancelled	(200,000)	\$ 1.80
Forfeited	(695,625)	\$ 1.53
Expired	(102,250)	\$ 1.75
Balance as at July 31, 2022	3,489,125	\$ 1.38

	Number of options	Weighted average exercise price
Balance as at July 31, 2020	—	\$ —
Granted	2,880,500	\$ 1.77
Forfeited	(50,000)	\$ 1.75
Balance as at July 31, 2021	2,830,500	\$ 1.77

The following table provides additional information about the Company's stock options as at July 31, 2022:

Grant date	Number of options outstanding	Exercise price \$	Expiration date	Number of options exercisable
January 21, 2021	1,169,875	\$ 1.75	January 21, 2026	718,625
June 11, 2021	362,000	\$ 1.65	June 11, 2026	118,625
July 2, 2021	620,000	\$ 1.85	July 2, 2026	183,000
October 20, 2021	197,750	\$ 1.40	October 20, 2026	3,750
March 14, 2022	842,500	\$ 0.74	March 13, 2027	—
June 14, 2022	297,000	\$ 0.39	June 13, 2027	—
	3,489,125	\$ 1.38		1,024,000

Stock options granted were valued using the Black-Scholes option pricing model with the following weighted-average assumptions for the years ended July 31, 2022 and 2021:

	For the year ended July 31, 2022
Expected volatility	80%
Expected life	3 years
Expected forfeiture rate	14%
Risk-free interest rate	1.81%
Dividend yield	0%
Weighted average exercise price	\$ 0.85
Weighted average fair value of options at grant date	\$ 0.45

	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 \$3,078,729 for the year ended July 31, 2022 (2021: \$3,374,095) with an offsetting increase to the share-based payment reserve.

No stock options were exercised during the year ended July 31, 2022 (2021: \$Nil), 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 4.03 years.

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18. 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, 2022				
	On demand	Within one year	Between two and five years	More than five years	Total
Accounts payable and accrued liabilities	\$ 3,902,601	\$ —	\$ —	\$ —	\$ 3,902,601
Bank indebtedness	2,673,589	—	—	—	2,673,589
Loan payable	—	—	30,000	—	30,000
Due to related parties	240,055	—	—	—	240,055
Other cash consideration	—	367,500	367,500	—	735,000
Contingent consideration	—	102,152	83,644	—	185,796
Lease liabilities	—	1,456,084	3,104,137	546,866	5,107,087
Total	\$ 6,816,245	\$ 1,925,736	\$ 3,585,281	\$ 546,866	\$12,874,128

On December 10, 2021, the Company acquired Infusicare, a retail pharmacy based in London, Ontario. Infusicare has access to the credit facility pursuant to its agreement with HSBC Bank Canada. The credit facility is used to support the day to day operating requirements of Infusicare. The credit facility provides for a maximum line of credit of the lesser of \$1,000,000 or 90% of the Ontario Drug Benefit accounts receivable plus 80% of the other major customers accounts receivables, as approved by HSBC Bank Canada, at the end of the previous month. The interest rate is at the prime rate of HSBC Bank Canada. The facility includes a requirement that the Company maintains certain financial ratios. All amounts advanced and outstanding under the credit facility shall be repaid on demand. The credit facility is secured by a general security agreement from Infusicare creating a first priority security interest in property and intellectual property of Infusicare. As at July 31, 2022, the Company had drawn \$640,468 (2021: \$Nil) from its credit facility.

On February 22, 2022, the Company acquired London Pharmacare and Liver Care Canada. The companies have access to a credit facility based on its agreement with the Bank of Nova Scotia. The credit facility is used to support working capital requirements and general operating expenses of London Pharmacare and Liver Care Canada.

The credit facility provides for a maximum line of credit of the lesser of \$5,000,000 or 90% of the Ontario Drug Benefit accounts receivable plus 75% of other accounts receivables, as approved by The Bank of Nova Scotia. The interest rate is at the prime lending rate of The Bank of Nova Scotia. The facility includes a requirement that the Company maintains certain financial ratios. All amounts advanced and outstanding under the credit facility shall be repaid on demand. The credit facility is secured by a general security agreement from London Pharmacare and Liver Care Canada creating a first priority security interest in assets of both companies, including receipts from insurance coverage specific to pharmacy contents and equipment. The credit facility is also secured by personal guarantees from select members of the Company's management, directors and shareholders. As at July 31, 2022, the Company had drawn \$2,033,121 (2021: \$Nil) from its credit facility.

The loan payable of \$30,000 (2021: \$Nil) consists of the Canada Emergency Business Account, a loan provided by the Federal Government of Canada to extend financial support to businesses impacted by the outbreak of the coronavirus. Pursuant to the terms, the principal amount of \$40,000 is to be repaid by December 31, 2025. If the loan is repaid by December 31, 2023, the principal amount of \$40,000 will not attract interest. If the loan is not repaid by December 31, 2023, the Company will incur interest of 5% on the amount that is unpaid. As at July 31, 2022, the Company has paid \$10,000 to reduce its principal amount owed to \$30,000. The Company expects to repay the principal amount before the end of the calendar year 2023.

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

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to honor a financial obligation. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, accounts receivable, leases receivable and due from related parties. As at July 31, 2022, the Company's maximum exposure to credit risk for these financial instruments was as follows:

	As at July 31, 2022	As at July 31, 2021
Cash and cash equivalents	\$ 4,970,532	\$ 28,758,598
Accounts receivable	1,709,002	—
Due from related parties	—	2,023,565
Leases receivable	157,158	—

The Company's accounts receivable of \$1,542,326 (2021: \$Nil) consist primarily of amounts that are expected to be collected from private insurers and provincial health care plans, such as the Ontario Health Insurance Plan. The Company generates revenue from sales of prescription medications to patients, and the Company submits claims to insurers based on each patient's coverage. These claims are reflected as amounts due to the Company from insurers, which are collected in accordance with standard payment terms of each insurer.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, bank indebtedness, due to related parties and other cash consideration payable approximates their fair values due to the short-term nature. The lease receivable bears market rates of interest and hence the carrying value approximates their fair value.

Currency risk

Currency risk is the risk that fluctuations in the US dollar and Euro against the Canadian dollar 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 US and Europe based third party companies, and other vendors and suppliers who invoice and require payment in US dollars and Euros. Due to the short-term payment terms on these trade payables, the Company's currency risk is minimal. The Company does not use derivative instruments to hedge its exposure to foreign currency translations.

19. REVENUE, COST OF SALES AND EXPENSES CLASSIFIED BY NATURE

REVENUE

	Year Ended July 31,	
Revenue	2022	2021
Revenue from doctor services	\$ 2,069,551	—
Revenue from pharmacy agreements	223,694	414,000
Revenue from franchise agreement	26,004	—
Revenue from retail pharmacies	14,319,421	—
Total revenue	\$ 16,638,670	\$ 414,000

COST OF SALES

	Year Ended July 31,	
Cost of sales	2022	2021
Cost of consulting fees paid to doctors	\$ 1,543,940	—
Cost of products sold at retail pharmacies	12,311,346	—
Total cost of sales	\$ 13,855,286	\$ —

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EXPENSES CLASSIFIED BY NATURE

Expenses are classified by function on the consolidated statements 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,	
	2022	2021
General and administrative		
Payroll and subcontractor	\$ 10,873,862	\$ 2,319,975
Legal and professional	2,108,282	430,318
Director fees	272,500	298,000
Management fee	345,010	156,000
Investor relations, public company costs and other	2,924,689	1,654,266
Bad debt expense	177,383	—
Travel and meals	237,249	82,075
	\$ 16,938,975	\$ 4,940,634

For the year ended July 31, 2022, \$1,436,962 (2021: \$224,731) of payroll and subcontractor costs were included in marketing and sales in the consolidated statements of loss and other comprehensive loss.

20. RELATED PARTY TRANSACTIONS

The Company's related parties include key management personnel. Key management personnel include 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 consolidated statements of loss and comprehensive loss is below.

	Year Ended July 31,	
	2022	2021
Management and director remuneration	\$ 1,610,291	\$ 846,622
Share-based compensation expense - directors and officers	1,514,245	2,304,859
	\$ 3,124,536	\$ 3,151,481

As at July 31, 2022, included in accounts payable and accrued liabilities was \$11,850 (2021: \$16,831) of payments owed to key management personnel.

On September 15, 2020, the Company entered into a pharmacy agreement (the "Mednow East Pharmacy Agreement") with Mednow East Inc. ("Mednow East"), a company controlled by management, directors and certain shareholders of Mednow. On March 31, 2021, Mednow East was acquired by the Company (Note 4) based on the terms of the share purchase agreement, which has replaced the terms and conditions of the pharmacy agreement, including the service fee revenue which is terminated on the date of acquisition. The loan owed by Mednow East prior to the acquisition is recognized as an intercompany loan between Mednow East and Mednow, and the intercompany loan is eliminated on these financial statements.

On September 24, 2020, the Company entered into a pharmacy agreement (the "Mednow West Pharmacy Agreement") with Mednow Pharmacy Inc. ("Mednow West"), a company that was controlled by management, directors and certain shareholders of Mednow. On October 25, 2021, Mednow West was acquired by the Company (Note 4) pursuant to the terms of the share purchase agreement, which has replaced the terms and conditions of the pharmacy agreement, including the service fee revenue which is terminated on the date of acquisition. The loan owed by Mednow West prior to the acquisition is recognized as an intercompany loan between Mednow West and Mednow, and the intercompany loan is eliminated on these financial statements.

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The Company acquired London Pharmacare and Liver Care Canada on February 22, 2022, and assumed the non-interest bearing receivables of \$18,328 due from Medpoint Care Pharmacy, and a receivable of \$44,097 from management, directors and shareholders of the Company. The Company also assumed the non-interest bearing payables due to Point Edward Pharmacare Inc., Thunder Bay IDA Pharmacy, Care Education Inc. and 2627639 Ontario Inc. The aforementioned businesses are controlled by management, directors and shareholders of Mednow Inc.

The amounts due from related parties are unsecured, non-interest bearing, and have no set repayment terms. The parties have agreed in writing not to demand payments in the next fiscal year, and therefore, the amounts have been classified as non-current assets. The amounts due to related parties are unsecured, non-interest bearing and due on demand, hence classified as current liabilities.

	As at July 31,	
	2022	2021
Due from related parties		
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
Medpoint Care Pharmacy - non-interest bearing	74,351	—
Due from other related parties-non-interest bearing	84,594	—
	\$ 158,945	\$ 2,023,565

Due to related parties

Point Edward Pharmacare Inc.- on demand, non-interest bearing	85,284	—
Thunder Bay IDA Pharmacy.- on demand, non-interest bearing	2,718	—
Care Education Inc.- on demand, non-interest bearing	97,277	—
2627639 Ontario Inc.- on demand, non-interest bearing	24,756	—
Due to other related parties- on demand, non-interest bearing	30,020	—
	\$ 240,055	\$ —

The Company entered into a formal management services agreement with Care Health Inc. For a monthly fee of \$5,000, Care Health Inc. provided Mednow with back-office office support including 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. On June 2, 2022, the Company terminated its management services agreement with Care Health Inc.

During the year ended July 31, 2022, the Company sold prescription inventory to Medpoint Care Pharmacy and Health Gate Pharmacy, businesses controlled by management, directors and shareholders of Mednow Inc. The Company also purchased inventory from Compass Pharmacies Inc. which is a wholly owned subsidiary of the Care Group of Pharmacies, which is related due to common directors and management. The Company also paid payroll and office expenses on behalf of Mednow Clinic Ltd., a business controlled by management.

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.

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	Year Ended July 31,	
	2022	2021
Revenues		
Mednow East Inc. pharmacy agreement	\$ 165,600	\$ 207,000
Mednow Pharmacy Inc. pharmacy agreement	58,094	207,000
Medpoint Pharmacy prescription sales	53,193	—
Health Gate Pharmacy prescription sales	4,871	—
	\$ 281,758	\$ 414,000
Cost of sales		
Compass Pharmacies Inc. inventory purchases	\$ 88,151	\$ —
General and administrative		
Care Health Inc. management fees	\$ 61,010	\$ 60,000
Mednow Clinic Ltd. Payroll and office expenses	43,197	—
	\$ 104,207	\$ 60,000

21. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by supplying the statutory income tax rate of 27% (2021-27%) to the loss before income taxes for the year, and is reconciled as follows:

	Year Ended July 31,	
	2022	2021
Net loss before income taxes	\$ (30,071,860)	\$ (8,953,835)
Statutory tax rate	27%	27%
Statutory income tax recovery	(8,119,402)	(2,417,535)
Tax rate changes and other adjustments	1,327	—
Share-based payment	831,257	911,006
Other non-deductible	(127,849)	7,679
Effect of losses not recognized	4,986,573	1,604,329
Effect of goodwill impairment	1,912,134	(105,479)
Income tax recovery	\$ (515,960)	\$ —
Current income tax expense	104,937	—
Deferred income tax recovery	(620,897)	—
Total income tax recovery	\$ (515,960)	\$ —

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

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	<u>August 1, 2021</u>	<u>Recognized in profit and loss</u>	<u>Recognized in equity on business combination</u>	<u>July 31, 2022</u>
Deferred tax asset				
Loss carry forwards	\$ 105,635	\$ 82,513	\$ —	\$ 188,148
Lease liability	105,653	361,632	600,603	1,067,888
Property and equipment	—	(75,933)	75,933	—
	<u>\$ 211,288</u>	<u>\$ 368,212</u>	<u>\$ 676,536</u>	<u>\$ 1,256,036</u>
Deferred tax liability				
Property and equipment	\$ (29,183)	\$ 10,328	\$ 18,855	\$ —
Intangible assets	(79,034)	651,520	(718,200)	(145,714)
Right of use assets	(103,071)	(413,891)	(550,926)	(1,067,888)
Lease receivable	—	4,728	(47,162)	(42,434)
	<u>(211,288)</u>	<u>252,685</u>	<u>(1,297,433)</u>	<u>(1,256,036)</u>
Net deferred tax liability	<u><u>\$ —</u></u>	<u><u>\$ 620,897</u></u>	<u><u>\$ (620,897)</u></u>	<u><u>\$ —</u></u>

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

	<u>Year Ended as at July 31,</u>	
	<u>2022</u>	<u>2021</u>
Non-capital losses	\$ 25,361,892	\$ 6,260,115
Share issuance cost	3,298,133	4,413,300
Property and equipment	1,025,025	—
Investment in equity securities	750,000	4,525
Lease liability	509,148	—
Donation	10,750	500
Total	<u><u>\$ 30,954,948</u></u>	<u><u>\$ 10,678,440</u></u>

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	689,826
July 31, 2041	5,981,028
July 31, 2042	19,368,313
	<u><u>\$ 26,058,737</u></u>

22. ASSET IMPAIRMENT CHARGES AND FAIR VALUE REMEASUREMENT

a) Impairment of Goodwill and Intangibles

The Company conducts goodwill impairment testing annually, or more often if events, changes or circumstances indicated that it is more likely than not that the fair value of a cash generating units ("CGU") is lower than its carrying amount. At the time of the annual impairment test, the Company determined that the existence of impairment on certain long-lived assets and goodwill, as a result of lower than expected profitability and cash flows and changes in market expectations of cash flows since the Company acquired the goodwill, indicated the fair value of its CGUs might be lower than the carrying value.

The Company has performed an impairment analysis based on historical and forecasted performance measures for its CGU which are: Medvisit, Mednow West, Mednow East and Mednow Ontario Limited, Infusicare, Liver Care Canada Inc. and London Pharmicare Inc. The recoverable amount for the CGU's has been determined using the greater of the value in use and the fair value less costs of disposal, using discounted cash flow models. An impairment charge is recorded when the carrying value of the CGU exceeds the recoverable amount for the CGU.

As at July 31, 2022, the Company identified five CGU's and allocated the carrying value of goodwill to the respective CGUs:

Cash Generating Unit	Carrying Value	Segment
Medvisit	1,516,143	Doctor services
Mednow West	1,670,092	Retail pharmacies
Infusicare	1,951,235	Retail pharmacies
Mednow East and Mednow Ontario Ltd.	1,714,280	Retail pharmacies
Liver Care and London Pharmicare	1,217,914	Retail pharmacies

The Company's fair value less cost of disposal exceeded the value in use and therefore the Company determined the fair value less cost of disposal of each CGU and compared it to the carrying value. The fair value of each reporting unit was determined using a discounted cash flow technique based on the following key assumptions:

Cash Generating Unit	Discount Rate	Forecasted Sales Growth Rate	Terminal Value Growth Rate	Number of Years of Cash Flow Used
Medvisit	40.4%	26.0% - 58.0%	3.0%	5
Mednow West	40.4%	15.0% - 1,266.0%	3.0%	4
Infusicare	40.4%	15.0% - 16.0%	3.0%	4
Mednow East and Mednow Ontario Ltd.	40.4%	11.0% - 1,190.0%	3.0%	4
Liver Care and London Pharmicare	40.4%	13.0% - 98.0%	3.0%	4

These assumptions are considered to be Level 3 in the fair value hierarchy.

The Company included four to five years of cash flows in its discounted cash flow model. Cash flows were based on past experiences, actual operating results and a growth rate based on management's projections. The cash flow forecasts were projected using an estimated terminal growth rate. The cash flows represent management's projections based on current and anticipated market conditions.

Cash flow projections have been discounted using the weighted average cost of capital, which considers the time value of money, the risks specific to the CGU and was calculated using the risk-free rate and an equity risk premium adjusted for comparable publicly traded companies.

Based on the impairment analysis, the Company has recorded asset impairment charges related to its goodwill in the consolidated statements of loss and comprehensive loss calculated using the fair value less costs of disposal method using discounted cash flow models for each of the CGU's below. As a result of the impairment tests, the Company has recorded the following asset impairment charges for the year ended July 31, 2022 (2021: \$Nil): Medvisit \$650,236, Infusicare \$1,221,609, Liver Care and London Pharmicare \$2,507,910 and Mednow West \$862,314.

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At each reporting period end the Company considers if there have been any indicators that indicate that its long-lived assets are not recoverable. Based on lower than expected profitability and cash flows, the Company determined that an impairment test was appropriate at that time.

The recoverable amount was lower than the carrying amount for three of its CGUs. The Company then determined the fair value of each of those asset groups and allocated the impairment to the assets within the group, being intellectual property, customer relationships, doctor relationships and brand. The assets were not written down below their individual fair value.

As a result of this assessment, the Company determined that intangible assets with a carrying amount of \$2,646,174 were no longer recoverable and adjusted the carrying value to the estimated fair value of \$806,267 resulting in an impairment loss of \$1,839,907.

The fair value of each asset group was determined using cash flows expected to be generated by market participants, discounted at a weighted average cost of capital.

Impairment of Life Support

As at July 31, 2022, the Company identified and assessed indicators of impairment related to Life Support securities primarily based on lower than expected profitability and cash flows. The Company has determined the recoverable amount using the greater of the value in use and the fair value less costs of disposal, using discounted cash flow models. The Company has applied key assumptions (as discussed above) in determining the recoverable amount. These assumptions are considered to be Level 3 in the fair value hierarchy. Management's estimate of the discount rate reflects its weighted average cost of capital.

Based on the impairment analysis, the Company has recognized asset impairment charges of \$598,238 in the consolidated statements of loss and comprehensive loss which has reduced the investment carrying value of Life Support to \$Nil (2021: \$495,475).

(b) Fair Value Remeasurement

On November 24, 2021, the Company entered into an agreement with Doko Medical Inc. ("Doko"), a virtual healthcare provider which operates in the United States in 38 states. The Company paid cash consideration of \$500,000 in the form of a convertible promissory note that is repayable to the Company on the maturity date of November 24, 2023. The note carried interest income of 3%, compounded annually. The promissory note automatically converts into equity interest of Doko based on a triggering event that is tied to Doko's ability to raise capital over a defined monetary threshold in the form of equity financing or a change in control at Doko. The amount of the equity interest that the Company will receive on the occurrence of the triggering event is based on a conversion price calculation as defined in the agreement. Doko has the ability to repay the principal and interest at any time, without penalty. The promissory note is subsequently measured at fair value through profit and loss.

The fair value of Doko was calculated based on the discounted cash flow models that represent management's projections based on current and anticipated market conditions. The key assumptions include a discount rate of 20%, revenue and cost growth rate for each year and the terminal growth rate of 3%. These assumptions are considered to be Level 3 in the fair value hierarchy.

During the year ended July 31, 2022, the Company recorded a loss on the change in fair value of \$510,250 which has been recorded to other expenses on the consolidated statement of loss and comprehensive loss.

Opening fair value as at August 1, 2021	\$	500,000
Fair value increases related to interest accretion		10,250
Decrease in fair value		(510,250)
Closing fair value as at July 31, 2022	\$	—

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23. OTHER EXPENSES (INCOME)

	Year Ended July 31,	
	2022	2021
Interest income on pharmacy agreements	\$ (51,566)	\$ (37,229)
Interest income on cash and cash equivalents	(102,092)	(12,862)
Interest income - IFRS 16	(4,690)	—
Rent income	(7,511)	—
Interest expense on operating line of credit	25,528	—
Interest expense - IFRS 16	162,978	815
Foreign exchange loss	30,652	—
Share of loss on investment in equity securities (Note 12)	147,237	4,525
Contingent consideration remeasurement	(142,020)	—
Other cash consideration remeasurement	20,633	—
Doko fair value remeasurement (Note 22)	510,250	—
Other income	(15,892)	—
Total	\$ 573,507	\$ (44,751)

24. SEGMENTED INFORMATION

Information for each reportable operating segment is included below:

	For the year ended July 31,				2021
	2022				Mednow Inc.
	Retail Pharmacies	Doctor Services	Mednow Inc.	Total	
Revenue	\$ 14,319,421	\$ 2,069,551	\$ 249,698	\$ 16,638,670	\$ 414,000
Cost of sales	12,311,346	1,543,940	—	13,855,286	—
General and administrative	3,941,809	1,017,008	11,980,158	16,938,975	4,940,634
Share based compensation	—	—	3,078,729	3,078,729	3,374,095
Marketing and sales	3,788	17,850	2,802,293	2,823,931	896,507
Depreciation	741,957	29,127	988,804	1,759,888	201,350
Asset impairment charges	—	—	7,680,214	7,680,214	—
Income tax expense (recovery)	104,937	—	(620,897)	(515,960)	—
Other amounts in loss	88,661	698	484,148	573,507	44,751
Net loss	\$ (2,873,077)	\$ (539,072)	\$ (26,143,751)	\$ (29,555,900)	\$ (8,953,835)

	As at July 31,				2021
	2022				Mednow Inc.
	Retail Pharmacies	Doctor Services	Mednow Inc.	Total	
Investment in equity securities	\$ —	\$ —	\$ —	\$ —	\$ 495,475
Non-current assets other than financial instruments	5,656,156	64,669	3,925,347	9,646,172	1,992,757

The Company does not report other assets and liabilities on its reportable operating segments.

25. CONTINGENCIES

The Company is a party to certain legal proceedings from time-to-time incidental to the conduct of its business. These proceedings could result in fines, penalties, compensatory or treble damages, or non-monetary relief. The nature of legal proceedings is such that the Company cannot assure the outcome of any particular matter, and an unfavorable ruling or development could have a materially adverse effect on our consolidated financial position, results of operations and cash flows in the period in which a ruling or settlement occurs. However, based on information available to the Company's management to date, the Company's management does not expect that the outcome of any matter pending against the Company is likely to have a materially adverse effect on the Company's consolidated financial position, results of operations, cash flows or liquidity.

26. SUBSEQUENT EVENTS

Subsequent to year end, the Board approved the grant of 1,272,500, stock options to employees and consultants, pursuant to the Company's stock option plan.

During February 2023, the Company closed its private placement offering of gross proceeds of \$1,800,000, which was raised from a director and shareholder of Mednow Inc., in exchange for 1,800 senior secured convertible debentures ("debentures") at a price of \$1,000 per debenture. The principal amount of each debenture will be convertible into 2,857 units at a conversion price of \$0.35 per unit at the option of the holder at any time prior to the earlier of: (i) the close of business on the maturity date which is 36 months following the date of issuance; and (ii) the business day immediately preceding the date specified by the Company for the redemption of the debentures. The convertible debentures will bear annual interest of 12% and mature 36 months following the date of issuance. Each unit will be comprised of one Class A common share in the capital of Mednow and one Common Share purchase warrant that will entitle the holder to purchase one Common Share at a price of \$0.45 per Common Share for a period of 36 months from the date of issuance thereof, subject to applicable policies of the TSX Venture Exchange.