

Consolidated Financial Statements of

KDA GROUP INC.

For the years ended July 31, 2021 and 2020

KDA GROUP INC.

Consolidated Financial Statements

For the years ended July 31, 2021 and 2020

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INDEPENDANT'S AUDITOR REPORT

To the shareholders of
KDA GROUP INC.,

Opinion

We have audited the accompanying consolidated financial statements of KDA GROUP INC. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at July 31, 2021 and July 31, 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in deficiency and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as at July 31, 2021 and 2020, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, in the light of the work we have done on this other information, we conclude that there is a material misstatement in this other information, we are required to report this fact in the auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Guimond Lavallée inc.¹

Chartered Professional Accountant Corporation

Brossard (Quebec)
November 26, 2021

¹ CPA auditor, CA, public accountancy permit No. A128615

KDA GROUP INC.

Consolidated Statements of Financial Position
As at July 31, 2021 and 2020

	2021	2020
	\$	\$
ASSETS		
Current assets		
Cash	1,717,150	1,782,230
Trade receivables	3,726,008	3,669,360
Inventories	55,314	149,905
Prepaid expenses	97,854	60,363
Income taxes receivable	17,657	104,040
Advances receivable, without interest	228,156	408,756
Loans receivable from shareholders, without interest	3,080	4,884
	5,845,219	6,179,538
Non-current assets		
Investment (note 6)	-	700,000
Property and equipment (note 7)	119,788	171,065
Intangible assets (note 8)	7,799,322	1,723,838
Goodwill (note 9)	6,310,861	6,310,861
Deferred tax assets (note 21)	1,898,679	986,465
Right of use assets (note 10)	224,260	248,702
	16,352,910	10,140,931
TOTAL ASSETS FOR CONTINUING ACTIVITIES	22,198,129	16,320,469
Assets regarding deconsolidation of subsidiary (note 5)	-	3,616,437
TOTAL ASSETS	22,198,129	19,936,906

KDA GROUP INC.

Consolidated Statements of Financial Position

As at July 31, 2021 and 2020

	2021	2020
	\$	\$
LIABILITIES		
<i>Current liabilities</i>		
Bank indebtedness (note 11)	980,000	1,350,000
Trade and other payables (note 12)	3,134,701	2,953,868
Due to third-party (note 6)	522,612	1,093,903
Deferred revenues	806,752	239,796
Due to shareholders, without interest	100,561	290,561
Income taxes payable	438,003	17,197
Current maturity of long-term debt (note 13)	1,748,079	4,043,054
Current maturity of lease liabilities (note 14)	34,325	32,032
	7,765,033	10,020,411
<i>Non-current liabilities</i>		
Long-term debt (note 13)	5,880,168	502,039
Lease liabilities (note 14)	212,988	235,238
Preferred shares (note 15)	4,091,221	9,646,835
Deferred tax liabilities (note 21)	335,776	358,157
	10,520,153	10,742,269
TOTAL LIABILITIES FOR CONTINUING ACTIVITIES	18,285,186	20,762,680
Liabilities regarding deconsolidation of subsidiary (note 5)	-	2,828,955
TOTAL LIABILITIES	18,285,186	23,591,635
DEFICIENCY		
Share capital (note 16)	29,799,954	25,089,855
Contributed surplus	1,652,133	911,524
Other comprehensive loss	-	(220,500)
Deficiency attributable to shareholders	(27,539,173)	(28,768,923)
Equity attributable to non-controlling interest	29	(666,685)
TOTAL DEFICIENCY	3,912,943	(3,654,729)
TOTAL LIABILITIES AND DEFICIENCY	22,198,129	19,936,906

Commitment (Note 27)

Contingency (Note 28)

Subsequent events (note 29)

Approved on behalf of the Board:

(Signed)

Michael W. Kinley, Director

(Signed)

Pierre Monet, CFO

Accompanying notes form an integral part of these Consolidated financial statements

KDA GROUP INC.

Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss)
For the years ended July 31, 2021 and 2020

	2021	2020
	\$	\$
Revenues (note 17)	24,358,700	22,892,331
Cost of revenues (note 18)	17,168,815	17,027,024
Gross Margin	7,189,885	5,865,307
Selling and administrative expenses (note 19)	5,270,037	4,650,682
Income before depreciation, amortization, net finance costs (income) and income taxes:	1,919,848	1,214,625
Depreciation of right of use assets (note 10)	36,792	36,999
Depreciation of property and equipment (note 7)	67,896	72,075
Amortization of intangible assets (note 8)	375,735	725,546
Loss on sale of investment (note 6)	999,999	-
Loss on the sale of a subsidiary (note 5)	1,610,870	-
Operating income (loss) before the following	(1,171,444)	380,005
Net finance (income) costs (note 20)	(1,513,313)	5,169,509
Income (loss) before income tax (recovery) expense	341,869	(4,789,504)
Income tax expense (note 21)	391,904	73,705
Deferred income tax recovery (note 21)	(934,595)	(863,824)
Net income (loss) from continuing operations	885,360	(3,999,385)
Net loss from discontinued operations (note 5)	(323,827)	(557,427)
Net profit (loss) and comprehensive profit (loss)	561,533	(4,556,812)
Profit (loss) and comprehensive profit (loss) attributable to:		
Equity holders of KDA Group Inc.	561,504	(4,309,823)
Non-controlling interest	29	(246,989)
	561,533	(4,556,812)
Profit (loss) per share to equity holders of KDA Group Inc. from continued operations		
Basic and diluted (note 22)	0.00	(0.04)
Loss per share to equity holders of KDA Group Inc. from discontinued operations		
Basic and diluted (note 22)	(0.00)	(0.04)

Accompanying notes form an integral part of these Consolidated financial statements

KDA GROUP INC.

Consolidated Statements of Changes in Deficiency For the years ended July 31, 2021 and 2020

	<u>Total Deficiency attributable to shareholders</u>										
	Number of shares	Class "A" Common shares	Shares to be issued	Contributed surplus	Warrants reserve	Premium on convertible shares and debentures	Equity (deficiency)	Total	Other comprehensive loss	Non controlling Interest	Total equity (deficiency)
Balance at July 31, 2020	118,420,947	25,089,855	-	911,524	2,205,390	(2,371,363)	(28,602,950)	(28,768,923)	(220,500)	(666,685)	(3,654,729)
Issuance of units and shares	9,000,000	758,241	-	-	581,759	-	-	581,759	-	-	1,340,000
Share issue cost	-	(76,782)	-	-	-	-	-	-	-	-	(76,782)
Issuance of shares for intangibles assets	20,000,000	4,000,000	-	-	-	-	-	-	-	-	4,000,000
Warrants exercised	120,000	28,660	-	-	(10,660)	-	-	(10,660)	-	-	18,000
Stock-based compensation	-	-	-	740,609	-	-	-	-	-	-	740,609
Other comprehensive loss	-	-	-	-	-	-	-	-	(779,499)	-	(779,499)
Disposal of subsidiary	-	(20)	-	-	-	-	-	-	-	666,685	666,665
Debentures	-	-	-	-	-	97,147	-	97,147	-	-	97,147
Reclassification to profit or loss	-	-	-	-	-	-	-	-	999,999	-	999,999
Net profit	-	-	-	-	-	-	561,504	561,504	-	29	561,533
Balance at July 31, 2021	147,540,947	29,799,954	-	1,652,133	2,776,489	(2,274,216)	(28,041,446)	(27,539,173)	-	29	3,912,943
Balance at July 31, 2019	86,760,947	18,439,819	575,000	712,830	797,526	(2,371,363)	(24,293,127)	(25,866,964)	(220,500)	(419,696)	(6,779,511)
Issuance of units	19,120,000	3,589,523	(575,000)	-	1,190,477	-	-	1,190,477	-	-	4,205,000
Debt settlement	11,125,000	2,738,032	-	-	199,218	-	-	199,218	-	-	2,937,250
Warrants exercised	40,000	10,141	-	-	(2,141)	-	-	(2,141)	-	-	8,000
Options exercised	1,375,000	360,250	-	(154,000)	-	-	-	-	-	-	206,250
Share issue cost	-	(47,910)	-	-	20,310	-	-	20,310	-	-	(27,600)
Stock-based compensation	-	-	-	352,694	-	-	-	-	-	-	352,694
Net loss	-	-	-	-	-	-	(4,309,823)	(4,309,823)	-	(246,989)	(4,556,812)
Balance at July 31, 2020	118,420,947	25,089,855	-	911,524	2,205,390	(2,371,363)	(28,602,950)	(28,768,923)	(220,500)	(666,685)	(3,654,729)

Accompanying notes form an integral part of these Consolidated financial statements.

KDA GROUP INC.

Consolidated Statements of Cash Flows

For the years ended July 31, 2021 and 2020

	2021	2020
	\$	\$
Cash flows from operating activities:		
Net income (loss) for the year	885,361	(3,999,385)
Net loss from discontinued operations	(323,827)	(557,427)
Adjustments for:		
Income tax expense (note 21)	391,104	73,705
Deferred income tax expenses (recovery) (note 21)	934,595	(863,825)
Accrued interest	2,349,512	1,850,404
Accreted interest	14,213	2,692,891
Gain on preferred shares settlement	(4,636,742)	-
Loss on sale of investment (note 6)	999,999	-
Share-based compensation	880,612	352,694
Provisions	131,817	(400,432)
Amortization of transaction cost	12,699	12,000
Depreciation of property and equipment (note 7)	67,896	69,956
Depreciation of right of use assets (note 10)	36,792	37,000
Amortization of intangible assets (note 8)	375,735	727,665
Loss on sale of subsidiary	1,610,870	-
Government grants	(30,000)	(27,668)
Write-down of advances receivables	200,843	256,991
Attributable to sale of subsidiary	173,690	445,933
Fair value adjustment of the conversion option (note 15)	-	(805,689)
	2,205,979	(135,187)
Changes in non-cash elements of working capital (note 26)	737,405	(1,281,825)
	2,943,384	(1,417,012)
Cash flows from investing activities:		
Advances to the subsidiary sold during the year	(480,582)	-
Increase in loan receivable	-	(288,768)
Additions to property and equipment (note 7)	(48,126)	(97,417)
Disposal of property and equipment (note 7)	-	120,870
Additions to intangibles assets (note 8)	(2,451,219)	(65,237)
Attributable to sale of subsidiary	(121,685)	(792,446)
	(3,101,612)	(1,122,998)
Cash flows from financing activities:		
Proceeds from share issued	1,200,000	4,225,310
Shares and debentures cost	(122,430)	(47,910)
Convertible debentures, net of issuance cost	728,437	-
Repayment of due to shareholder	(250,000)	-
Proceeds from long-term debt (note 13)	60,000	120,000
Repayment of long-term debt (note 13)	(1,378,937)	(1,212,449)
Repayment of lease liabilities (note 14)	(41,887)	(41,640)
Increase in due to affiliated company	-	(1,157,983)
Exercise of warrants and stock options (note 16)	18,000	214,250
Increase (decrease) in the bank indebtedness (note 11)	(370,000)	98,750
Attributable to sale of subsidiary	249,965	890,578
	93,148	3,088,906
Net (decrease) increase in cash	(65,080)	548,896
Cash, beginning of the year	1,782,230	1,233,334
Cash, end of the year	1,717,150	1,782,230
Supplemental information		
Interest paid	759,703	1,127,316

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

1. Incorporation and nature of activities

KDA Group Inc. (“KDA” or the “Corporation”) is incorporated under the Business Corporations Act (Québec). The Corporation is a publicly traded company listed on the TSX Venture Exchange (“TSXV”) under the symbol “KDA”. The Corporation’s head office is 300-1351 Notre-Dame East, Thetford Mines, Québec, G6G 0G5.

The consolidated financial statements of the Corporation for the years ended July 31, 2021 and 2020, include the Corporation and its subsidiaries. The Corporation provides a range of solutions and services to pharmacies and pharmaceutical companies in Canada as well as technological platform for the health industry.

2. Basis of preparation

a) Statement of compliance:

These consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standard Board (“IASB”).

These consolidated financial statements were approved and authorized for issue by the Board of Directors on November 26, 2021.

b) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis except for the following material item in the consolidated statements of financial position:

- Derivative instruments are measured at fair value;
- Miscellaneous equity investments are measured at fair value.

c) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

d) Consolidation

Subsidiaries

Subsidiaries are all entities over which the Corporation has control. The Corporation controls an entity when the Corporation is exposed to, or has rights to, variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation. They are deconsolidated from the date that control ceases.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

2. Basis of preparation (continued)

Inter-company transactions, balances and unrealized gains on transactions between the Corporation's subsidiaries are eliminated. Unrealized gains or losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Corporation's accounting policies.

Disposal of subsidiaries

When the Corporation ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income ("OCI") in respect of that entity are account for as if the Corporation had directly disposed of the related assets and liabilities. This may mean that amounts previously recognized in OCI are reclassified to profit and loss.

Non-controlling interests

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests in presented as a component of equity, their share of net income and OCI is recognized directly in equity event If the results of the non-controlling interests have a deficit balance.

Significant subsidiaries – ownership

Name	Nature of Services	At July 31, 2021	At July 31, 2020
Agence L.I.V. inc.	Pharmaceutical Solutions	100%	100%
Alliance Pharma Operations inc.	Pharmacy Services	100%	100%
Elitis Pharma inc.	Pharmacy Services	100%	100%
Logistik Pharma inc.	Pharmacy Services	100%	100%
Campus Elitis Pharma inc. <i>10% has been repurchased for a minimal value</i>	Pharmacy Services	90%	80%
CanNorth Médic inc.	Pharmaceutical Cannabis	-	51%
Groupe Technologique KDA inc.	Technology	100%	100%
CanNorth Médic International inc.	Pharmaceutical Cannabis	-	80%
Pharmapar inc.	Pharmacy Services	-	20%

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting of the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the management team, which makes strategic decisions.

3. Summary of significant accounting policies

PROPERTY AND EQUIPMENT

Property and equipment are accounted for at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in net income or loss.

Depreciation is based on the cost of an asset less its residual value and is recognized in income or loss over the estimated useful life of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

PROPERTY AND EQUIPMENT ARE AMORTIZED ON A STRAIGHT-LINE BASIS OVER THE FOLLOWING ESTIMATED USEFUL LIVES:

Categories	Useful Lives
Furniture and fixtures	5 years
Computer equipment	5 years
Leasehold improvements	5 years
Vehicles	5 years
Equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Property and equipment are reviewed for impairment in accordance with IAS 36 Impairment of Assets when there are indicators that the carrying value may not be recoverable.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

3. Summary of significant accounting policies (continued)

INTANGIBLE ASSETS

i) Goodwill

Goodwill that arises upon business combinations is included in intangible assets. Goodwill is not amortized and is measured at cost less accumulated impairment losses in accordance with IAS 36 impairment of assets.

ii) Other finite life intangible assets

Other intangible assets consist of customer relationships, training courses, software, web sites, and non-compete agreements. Other intangible assets that are acquired by the Corporation and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses in accordance with IAS 36 impairment of assets.

INTANGIBLE ASSETS WITH FINITE LIVES ARE AMORTIZED ON A STRAIGHT-LINE BASIS OVER THE FOLLOWING ESTIMATED USEFUL LIVES:

Categories	Useful Lives
Customer relationships	10 years
Software	5 years
Web sites	3 years
Non-compete agreements	Contractual period

iii) Intangible assets generated internally by incurring research and development expenditures

Expenditures related to research activities are recognized as an expense in the period in which they are incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, the entity can demonstrate all of the following:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits. Among other things, the Corporation can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

3. Summary of significant accounting policies (continued)

- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization when they will be in a commercial production phase and any accumulated impairment losses.

Useful lives and residual values are reviewed at each financial year-end and adjusted prospectively, if appropriate. The carrying amounts are reviewed at each reporting date to determine whether there is an indication of impairment.

LEASES

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Corporation. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the lease term on a straight-line basis or over the operating life of the mine based on estimated recoverable ounces of gold (the units of production method).

Right-of-use assets

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives; and
- any initial direct costs incurred by the Corporation.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the Corporation under residual value guarantees;

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Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

3. Summary of significant accounting policies (continued)

- the exercise price of a purchase option if the Corporation is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the Corporation's incremental borrowing rate unless the implicit rate in the lease contract is readily determinable in which case the latter is used.

Extension and termination options are included in a number of the Corporation's property and equipment leases. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Corporation and not by the respective lessor. The lease term determined by the Corporation comprises:

- a non-cancellable period of lease contracts;
- periods covered by an option to extend the lease if the Corporation is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Corporation is reasonably certain not to exercise that option.

Exemptions

The Corporation elected to apply exemptions for leases for which the underlying asset is of low value or for which the lease term does not exceed 12 months. Payments associated with such leases are recognized on a straight-line basis as an expense in profit or loss, carrying amounts of the Corporation's non-financial assets other than deferred tax assets and goodwill.

FINANCIAL INSTRUMENTS

Financial assets

Financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'at amortized cost' and 'fair value through other comprehensive income' (FVOCI). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling it in the near term; if on initial recognition it is part of a portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

3. Summary of significant accounting policies (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. Financial assets at FVOCI are stated at fair value, with any gains or losses arising on re-measurement recognized through other comprehensive income.

Trade receivables that have fixed or determinable payments that are not quoted in an active market are classified as debt instruments. Debt instruments are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

THE CORPORATION HAS CLASSIFIED ALL OF ITS FINANCIAL ASSETS AS FOLLOWS:

Financial Asset	Classification	Subsequent Measurement
Cash	Debt instruments	Amortized cost
Trade receivables	Debt instruments	Amortized cost
Loans receivable from shareholders, without interest	Debt instruments	Amortized cost
Advances receivable, without interest	Debt instruments	Amortized cost
Investment ⁽¹⁾	FVOCI	Fair value

⁽¹⁾ At the initial recognition of this financial asset, the Corporation made the irrevocable election to designate this financial asset as fair value through other comprehensive income (FVOCI).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

3. Summary of significant accounting policies (continued)

of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Corporation

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term; or if on initial recognition it is part of a portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit-taking; or if it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; if the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or if it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of loss and comprehensive loss.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method, with interest

KDA GROUP INC.

Notes to the Consolidated Financial Statements
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3. Summary of significant accounting policies (continued)

expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

THE CORPORATION HAS CLASSIFIED ALL OF ITS FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS AS FOLLOWS:

Financial liability	Classification	Subsequent measurement
Bank indebtedness	Other financial liability	Amortized cost
Trade and other payables (excluding sales tax payable)	Other financial liability	Amortized cost
Due to third-party	Other financial liability	Amortized cost
Due to shareholder, without interest	Other financial liability	Amortized cost
Long-term debt	Other financial liability	Amortized cost
Lease liabilities	Other financial liability	Amortized cost
Preferred shares – host component	Other financial liability	Amortized cost
Preferred shares – conversion option	FVTPL	Fair value

Derecognition of financial liabilities

The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire.

DEFERRED REVENUE

Deferred revenue consists of payments received by the Corporation in consideration for professional services to be delivered over a certain period at contracted prices. As services are provided, the Corporation will record a portion of the deferred revenue as sales, based on a proportionate share of services provided compared with the total estimated contractual commitment.

DEFERRED FINANCING COSTS

Financing costs related to debt are deferred and amortized over the term of the corresponding loans. When one of these loans is repaid, the corresponding financing costs are charged to net earnings.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

3. Summary of significant accounting policies (continued)

REVENUE RECOGNITION

Revenues are derived from sales of goods, services or contracts. Revenues from goods are recognized at the fair value of the consideration received or receivable, net of returns, trade discounts and professional allowance. Revenues from services and contracts are recognized when it is realized or realizable and earned. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the buyer, usually when the merchandise is shipped; the recovery of the consideration is probable; the associated costs and possible return of goods can be estimated reliably; there is no continuing management involvement with the goods; and the amount of revenue can be measured reliably. Professional allowance and cash discounts granted to customers are accrued at the time of sale and recorded as a reduction of sales.

The Corporation enters into a variety of contracts and recognizes revenue when performance obligations have been fulfilled. The following describes the recognition of revenue for each of the Corporation's contracts, which is consistent with its reportable operating segments outlined in Note 23.

i) Replacements pharmacists – Pharmacy services

The Corporation enters into replacement pharmacist contracts whereby it performs replacement services for its customers. Performance obligations for these contracts are satisfied on an hourly basis at the applicable hourly rate, as specified in the contract.

ii) Training – Pharmaceutical solutions

The Corporation enters into contracts with its customers to provide training services. Contract revenue is accounted for under the percentage of completion method. Performance obligations for these contracts are satisfied over time and are measured by reference to various milestones specified in the contracts. Revenues and costs only begin to be recognized when the Corporation can reasonably measure its progress towards complete satisfaction of the contract's milestones. Any foreseeable losses on such projects are charged to operations when determined and work in progress is presented as part of accounts receivable, if applicable. If payments received from a customer exceed the revenue recognized, the difference increases the deferred revenue balance. Service performance obligations are satisfied at a milestone specified in the contract.

RESTRICTED COMMON SHARES

The Corporation agreed to issue shares to executives' officer of the Corporation. The vesting condition is based on required service period. The stock-based compensation is based on the estimated fair value at grant date and the awards expected to vest over the vesting period. A corresponding compensation liability is recorded in the equity.

SHARE-BASED PAYMENT TRANSACTIONS

The grant date fair value of equity share-based payment awards granted to employees or consultants is recognized as an administrative expense, with a corresponding increase in contributed surplus, over the period that the employees or the consultants unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related

KDA GROUP INC.

Notes to the Consolidated Financial Statements
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3. Summary of significant accounting policies (continued)

service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service condition at the vesting date.

Share-based payment arrangements in which the Corporation receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Corporation. The Corporation measures the goods or services received, and the direct corresponding increase in equity at the fair value of the goods or services received, except when that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

FINANCE COSTS

Finance costs comprise interest expense on bank indebtedness and long-term debt, unwinding of the discount on provisions and impairment losses recognized on financial assets (other than trade receivables) and accretion of interest on the host component of the preferred shares.

Fair value gains or losses on derivative financial instruments, on the derivative component of the preferred shares and on contingent considerations, and foreign currency gains and losses are reported as either finance income or cost.

INCOME TAXES

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in income or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

3. Summary of significant accounting policies (continued)

DISCONTINUED OPERATIONS

A discontinued operation is a component of the Corporation that has either been disposed of or that is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations; (b) is part of a single plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Assets, liabilities, comprehensive loss, and cash flows relating to a discontinued operation of the Corporation are segregated and reported separately from the continuing operations of the Corporation. The comparative statement of comprehensive loss is re-presented as if the operation had been discontinued from the start of the comparative year.

The Corporation treats transactions with non-controlling interests as equity transactions. Changes in the Corporation's ownership interest in subsidiaries that do not result in loss of control are accounted for as equity transactions.

EARNINGS PER SHARE

The Corporation presents basic and diluted earnings per share ("EPS") data for its Class "A" common shares. Basic EPS is calculated by dividing the income or loss attributable to common shareholders of the Corporation by the weighted average number of Class "A" common shares outstanding during the year, adjusted for own shares held, if any.

Diluted EPS is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of Class "A" common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential Class "A" common shares, which comprise convertible debentures in shares, warrants and stock options.

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits include wages, salaries, compensated absences, and bonuses. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided or capitalized if the service rendered is in connection with the creation of a tangible or intangible asset.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

3. Summary of significant accounting policies (continued)

STANDARDS ISSUED BUT NOT YET EFFECTIVE

At July 31, 2021, a number of new standards, amendments to standards and interpretations have been issued but are not yet effective. Accordingly, they have not been applied in preparing these consolidated financial statements. The Corporation is currently assessing the impact that these standards will have on the consolidated financial statements.

The standards issued but not yet effective that are expected to be relevant to the Corporation's consolidated financial statements are provided below.

Management anticipates that all the pronouncements will be adopted in the Corporation's accounting policies for the first period beginning after the effective date of each pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Corporation's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Corporation's consolidated financial statements and are not listed.

i) Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the consolidated statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

4. Critical accounting estimate and judgements

The preparation of the accompanying consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities, the disclosures about contingent assets and liabilities, and the reported amounts of revenues and expenses. These estimates and assumptions are based on management's best estimates and judgments.

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate actual results could differ from these estimates. Changes in those estimates

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

4. Critical accounting estimate and judgements (continued)

and assumptions resulting from changes in the economic environment will be reflected in the consolidated financial statements of future periods. Information about critical judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment are included in the following notes:

Establishing the fair value of the investment is estimated by Management using their judgement in assessing the factors and making estimates and assumptions that are supported by quantifiable market information, supplemented by internal analysis as required. These assessment and estimates have been applied in a manner consistent with prior periods.

Where impairment indicators exist or annually for goodwill, the recoverable amount of the asset or CGU is determined using the greater of fair value less costs to sell or value-in-use. Value-in-use calculations require assumptions for discount rates and estimations of the timing for events or circumstances that will affect future cash flows. Fair value less costs to sell requires management to make estimates of fair value using market conditions for similar assets as well as estimations for costs to sell taking into account dismantle and transportation costs.

The Corporation's assets are aggregated into cash-generating units for purpose of calculating impairment. Cash generating units ("CGUs") are based on management's judgments and assessment of the CGU's ability to generate independent cash flows. Judgments are also required to assess when impairment indicators exist, and impairment testing is required.

As it pertains to property and equipment the Corporation is required to estimate the residual value and useful lives of assets for purposes of depreciation.

The Series A and B Preferred Shares issued by the Corporation include conversion and redemption options, which are considered as Level 3 financial instruments. The derivative is measured at fair value through profit and loss, and its fair value must be measured at each reporting period, with subsequent changes in fair value recorded in the consolidated statement of loss and comprehensive loss. A derivative valuation model is used, and includes management's assumptions, to estimate the fair value. Detailed assumptions used in the model to determine the fair value of the embedded derivative as at July 31, 2021.

The calculation of the fair value of common shares, stock options and warrants granted require management to make estimates and assumptions about the fair value of the underlying common shares of the Corporation, expected volatility, expected life and expected forfeiture rates, which could affect the Corporation's results if the current estimates change.

Assessing the recoverability of deferred tax assets based on an assessment of KDA and its subsidiaries' ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions.

The Corporation is required to exercise judgment in assessing whether the criteria for recognition of a provision or a contingency has been met. The Corporation considers whether a present obligation exists, probability of loss and whether a reliable estimate can be formulated on future outcome of the event.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

4. Critical accounting estimate and judgements (continued)

Government grants

In the course of its activities, the Corporation received government grants to maintain staffing levels. These grants were recognized when there is reasonable assurance that the Corporation will comply with the conditions attaching to them, and that the grants will be received. Grants were recognized as revenues for a total amount of \$333,262 in 2021 (\$195,186 in 2020).

5. Discontinued operations

On June 11, 2021, the Corporation sold its 51% ownership in CanNorth Medic Inc. ("CNM") for \$51. The advances receivables of \$2,881,409 bears an annual interest of 10% and is repayable through 10% royalties on the future sale from CNM's plant. In the event that the buyer sells his shares or the assets of CNM, 51% of the proceeds must be remitted to the Corporation less the amount of the advances repaid. KDA remeasured its advances receivables and recorded a write-down of \$2,881,409 in its realizable value.

KDA will remain as a cautioner of the lease regarding the building until December 2028. The annual rent amount cautioned is \$350,000.

The carrying values of assets and liabilities as of June 11, 2021, the date of the transaction are summarized below:

	\$
Net current assets	(135,582)
Property and equipment	1,290,073
Intangible assets	250,000
Rights of use of assets	1,843,198
Long-term liabilities	(2,303,555)
Deficiency attributable to non-controlling interest	666,685
	1,610,819
Consideration	51
Advances receivables	2,881,409
Write-down of advances receivables	(2,881,409)
	51
Loss on the sale of a subsidiary	1,610,870

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

5. Discontinued operations (continued)

Statements of loss and comprehensive loss for discontinued operations

	2021	2020
	\$	\$
Revenues	10,000	10,000
Selling and administrative expenses	55,015	219,579
Loss before depreciation, amortization, net finance costs and income taxes	(45,015)	(209,579)
Depreciation of right of use of assets	203,108	249,579
Operating loss before following:	(248,123)	(459,341)
Net finance costs	75,704	98,086
Net loss from discontinued operations	(323,827)	(557,427)

Statements of financial position for discontinued operations

As at July 31, 2020	\$
ASSETS	
Current assets	
Cash	25,740
Prepaid expenses	69,481
	95,221
Non current assets	
Loans receivable from third party	22,000
Property and equipment	1,186,710
Intangible assets	250,000
Rights of use of assets	2,062,506
	3,521,216
TOTAL ASSETS	3,616,437

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

5. Discontinued operations (continued)

As at July 31, 2020	\$
LIABILITIES	
Current liabilities	
Trade and other payables	343,302
Income taxes payable	92
	343,394
Non current liabilities	
Long-term debt	28,011
Leases liabilities	2,457,550
	2,485,561
TOTAL LIABILITIES	2,828,955

Net cash flow used in discontinued operations

	2021	2020
	\$	\$
Cash used by operating activities	(150,138)	(85,755)
Cash provided by investing activities	(121,685)	(792,446)
Cash flow provided by financing activities	249,965	890,578
Net cash flows used in Discontinued operations	(21,858)	12,377

6. Investment

On June 30, 2021, Strides Pharma Canada Inc. (« Strides ») exercised its call option to buy the remaining 20% ownership of Pharmapar Inc. for \$1. The Corporation incurred a loss on sale of investment of \$999,999. This loss was recorded in the consolidated statement of other comprehensive loss. Following the sale of the investment, the Corporation reclassified all previous loss recorded in the consolidated statement of other comprehensive loss resulting in a reclassification to profit and loss of \$999,999.

As at July 31, 2021, the amount payable under the share sale agreement of the initial 80% ownership signed on February 15, 2019, is \$493,903. The amount bears an annual interest of 5% and the balance as of July 31, 2021 is \$522,612 (\$1,093,903 as of July 31, 2020).

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

7. Property and equipment

	Leasehold improvements	Computer equipment	Furniture and fixtures	Vehicles	Total
Balance at July 31, 2020	69,665	298,474	24,108	150,018	542,265
Additions	—	47,526	600	—	48,126
Disposal	—	—	(4,353)	(82,995)	(87,348)
Balance at July 31, 2021	69,665	346,000	20,355	67,023	503,043
Depreciation					
Balance at July 31, 2020	46,829	247,015	20,571	56,785	371,200
Disposal	—	—	(3,527)	(52,314)	(55,841)
Depreciation for the year	14,452	28,762	1,365	23,317	67,896
Balance at July 31, 2021	61,281	275,777	18,409	27,788	383,255
Net carrying value					
Balance at July 31, 2020	22,836	51,459	3,537	93,233	171,065
Balance at July 31, 2021	8,384	70,223	1,946	39,235	119,788

KDA GROUP INC.

Notes to the Consolidated Financial Statements
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8. Intangible assets

	Training courses	Software	Web sites	Customer relationships	Non-compete agreements	Technolgy Assets ⁽²⁾	Development costs ⁽¹⁾	Total
Balance at July 31, 2020	91,236	1,594,859	160,620	2,478,998	1,074,999	-	-	5,400,712
Additions	-	-	11,242	-	-	4,000,000	2,439,977	6,451,219
Balance at July 31, 2021	91,236	1,594,859	171,862	2,478,998	1,074,999	4,000,000	2,439,977	11,851,931
Amortization								
Balance at July 31, 2020	91,236	1,590,213	96,925	924,300	974,200	-	-	3,676,874
Amortization for the year	-	-	27,037	247,899	100,799	-	-	375,735
Balance at July 31, 2021	91,236	1,590,213	123,962	1,172,199	1,074,999	-	-	4,052,609
Net carrying value								
Balance at July 31, 2020	-	4,646	63,695	1,554,698	100,799	4,000,000	-	1,723,838
Balance at July 31, 2021	-	4,646	47,900	1,306,799	-	4,000,000	2,439,977	7,799,322

(1) Development costs are not amortized since the product is not in a commercial production phase. It is measured at cost less accumulated amortization and accumulated impairment losses in accordance with IAS 36 impairment of assets.

(2) On March 9, 2021, the Corporation entered into a Technology Purchase Agreement with ZoomMed Medical Inc. pursuant to which the Corporation acquired the ownership rights in the ZRx Prescriber to develop, commercialize and exploit the ZRx Prescriber in the United States, Europe and the United Kingdom in consideration for 20,000,000 Class A shares.

Management determined that this transaction did not meet the definition of a business under IFRS 3 and therefore this transaction was accounted for as an asset acquisition.

The consideration was measured at \$4,000,000 in refer of the shares issued of the Corporation at May 11, 2021. Refer to note 16 – Shares Capital

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

9. Goodwill

	Pharmacist Services	Pharmaceutical Solutions	Total
Initial goodwill recognition	11,272,522	4,613,708	15,886,230
Accumulated impairment	(9,575,369)	-	(9,575,369)
Balance at July 31, 2021 and 2020	1,697,153	4,613,708	6,310,861

Impairment of intangible asset and goodwill

On an annual basis as at July 31, the Corporation assesses the Corporation's CGUs for indicators of impairment or when facts or circumstances suggest that the carrying amount may exceed the recoverable amount. Goodwill is tested for impairment annually. For the purpose of impairment testing, goodwill is allocated to the Corporation's CGUs within operating segments that represent the lowest level within the Corporation at which the goodwill is monitored for internal management purposes.

The Corporation performed its annual impairment test and estimated the recoverable amount of its goodwill and intangible assets based on the higher of fair value less cost of disposal (FVLCD) and Value in Use (VIU).

As the operating segment is comprised of various CGUs, management tested the individual CGUs for impairment before the operating segment which contains the associated goodwill. The recoverable amount of all CGUs was determined based on the FVLCD using level 3 inputs in a Discounted Cash Flow (DCF) methodology.

The significant assumptions applied in the determination of the recoverable amount are described below:

- Cash flows: Estimated cash flows were projected based on actual and projected operating results from internal sources as – well as industry and market trends. The forecasts are extended to a total of four or five-years (and a terminal year thereafter);
- Terminal value growth rate: The terminal growth rate was based on historical and projected consumer price inflation, historical and projected economic indicators; and
- Post-tax discount rate: The post-tax discount rate is reflective of the CGUs Weighted Average Cost of Capital ("WACC"), from a market participant perspective. The WACC was estimated based on the risk-free rate, equity risk premium, beta adjustment to the equity risk premium based on a direct comparison approach, an unsystematic risk premium, and after-tax cost of debt based on corporate bond yields.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

9. Goodwill (continued)

- KEY ASSUMPTIONS USED IN CALCULATING THE RECOVERABLE AMOUNT FOR EACH CGU TESTED FOR IMPAIRMENT AS AT JULY 31, 2021 AND 2020 ARE OUTLINED IN THE FOLLOWING:

As at July 31, 2021	Pharmacy Services	Pharmaceutical Solutions	Technology
Terminal value growth rate	2.0%	3.0%	3.0%
Discount rate	17.0%	17.0%	28.1%
Five-year compound annual revenue growth rate	49.3%	49.3%	n/a
Four-year compound annual revenue growth rate	n/a	n/a	19.8%

As at July 31, 2020	Pharmacy Services	Pharmaceutical Solutions
Terminal value growth rate	3.0%	3.0%
Discount rate	17.0%	17.0%
Five-year compound annual revenue growth rate	49.3%	49.3%

Pharmacy Services

Management concluded that the recoverable amount was higher than the carrying value at July 31, 2021 and no impairment was recognized within the Pharmacy Services CGU.

Pharmaceutical Solutions

Management concluded that the recoverable amount was higher than the carrying value at July 31, 2021 and no impairment was recognized within the Pharmacy Services CGU.

Technology

Management concluded that the recoverable amount was higher than the carrying value at July 31, 2021 and no impairment was recognized within the Technology CGU.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
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10. Right of use of assets

	Rental lease	Other	Total
Gross book value			
Balance at July 31, 2020	335,417	19,017	354,434
Disposals	—	(19,017)	(19,017)
Additions	—	17,875	17,875
Balance at July 31, 2021	335,417	17,875	353,292
Depreciation			
Balance at July 31, 2020	92,240	13,492	105,732
Disposals	—	(13,492)	(13,492)
Depreciation for the year	33,542	3,250	36,792
Balance at July 31, 2021	125,782	3,250	129,032
Book Value			
Balance at July 31, 2020	243,177	5,525	248,702
Balance at July 31, 2021	209,635	14,625	224,260

11. Bank indebtedness

As part of the Corporation's credit facility (as more fully described in note 12), the Corporation has authorized operating credits totaling \$1,100,000 (\$1,400,000 as of July 31, 2020), bearing interest at prime rate plus 3% per annum based on certain leverage ratios.

The loan is secured by a first mortgage on the Corporation's present and future accounts receivable, tangible and intangible properties.

KDA GROUP INC.

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For the years ended July 31, 2021 and 2020

12. Trade and other payables

	At July 31, 2021	At July 31, 2020
Trade payables and accrued liabilities	2,058,097	1,716,909
Salaries and vacation payable	739,740	390,639
Sales tax payable	261,864	183,895
Interest payable to shareholders	—	587,425
Dividend payable (note 25)	75,000	75,000
	3,134,701	2,953,868

13. Long-term debt

This note provides information about the contractual terms of the Corporation's interest-bearing long-term debts, which are measured at amortized cost. The Corporation's exposure to interest rate and liquidity risk is disclosed in note 24. The Corporation is in breach of its financial covenants with respect to its secured credit financing as at July 31, 2021, and has, therefore, reclassified the Loan from a Canadian chartered bank under current liabilities. The secured credit financing was repaid on August 6, 2021. Refer to Note 29 – Subsequent events.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

13. Long-term debt (continued)

	At July 31, 2021	At July 31, 2020
Loan from a Canadian chartered bank ⁽¹⁾ (the “Loan from a Canadian chartered bank”), bearing interest at prime rate plus a spread varying between 2.50% - 4.35% per annum based on certain leverage ratios, repayable by monthly instalments of \$110,000 and is net of transaction costs of \$ - as of July 31, 2021 (\$12,000 as of July 31, 2020)	1,363,247	2,671,247
Balance of purchase price, non-interest bearing and net of accreted interest of \$13,113 as of July 31, 2021 and 2020, repayable by annual instalments of \$320,000, maturing in August 2021	371,287	621,887
Promissory notes ⁽²⁾ with a shareholder, bearing interest at 9% (18% in 2020), maturing December 31, 2022, net of transaction costs of \$25,418 (nil as of July 31, 2020)	5,090,044	1,000,000
Convertible debentures ⁽³⁾ , bearing interest at 10%, unsecured maturing on June 23, 2023, net of transaction costs of \$18,886	634,460	—
Loan without interest, secured by the federal government, no instalments if reimbursement occur before December 31, 2022, the Corporation will receive a subvention of \$60,000 ⁽⁴⁾	111,957	84,033
Other loans, bearing interest from prime rate plus 4% to 7.74%, repayable by monthly instalments of \$2,054, and maturing from October 2020 to December 2025	57,252	167,926
	7,628,247	4,545,093
Less:		
Current portion due to breach of covenants	1,363,247	2,671,247
Current portion due to absence of payment terms debt	—	1,320,000
Current maturity of long-term debt	384,832	51,807
Total current portion	1,748,079	4,043,054
Total long-term debt portion	5,880,168	502,039

⁽¹⁾ The loan is secured by a first mortgage on the Corporation’s present and future accounts receivable, tangible, and intangible properties. The loan was reimbursed on August 6, 2021. Refer to note 29 – Subsequent events

⁽²⁾ On July 31, 2021, the Corporation entered into an agreement with the holders of the promissory notes and preferred shares. In accordance with this agreement, the bearing interest is 9% starting July 31, 2021 (previously 18% annually). A crediting factor is applicable on repayment (refer to Note 15). These notes are no longer convertible into Class A Shares of the Corporation.

⁽³⁾ The debentures are convertible into Class A shares of the corporation anytime by the holder at a conversion price equal to \$0.15 per share.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

13. Long-term debt (continued)

- ⁽⁴⁾ If the loan is not repaid in full by December 31, 2022, the entire loan can be converted in a term loan, bearing interest at the rate of 5%, payable monthly, without payment of capital before maturity, and maturing on December 31, 2025.

As at July 31, 2021, the Corporation was in breach of both of its financial covenant under the Loan from a Canadian chartered bank. Accordingly, the loan from a Canadian chartered bank and the promissory notes with shareholders have been presented as short-term liabilities.

	At July 31, 2021	At July 31, 2020
Less than 1 year	1,748,079	4,063,010
Between 1 and 5 years	5,924,472	495,231
More than 5 years	—	6,808
Total amounts payable	7,672,551	4,565,049
Less: Financing fees	(44,304)	(19,956)
Total	7,628,247	4,545,093

14. Lease Liabilities

	Rental lease	Other	Total
Gross book value			
Balance at July 31, 2020	261,082	6,188	267,270
Disposals	—	(5,760)	(5,760)
Additions	—	17,875	17,875
Principal repayment	28,847	3,225	32,072
Balance at July 31, 2021	232,235	15,078	247,313
Balance at July 31, 2021			
Short-term portion	29,870	4,455	34,325
Long-term portion	202,365	10,623	212,988

Total expenses relating to short-term leases and low value leases as well as leases excluded from the application of IFRS 16 totaled \$6,000 (\$55,000 in 2020) and \$20,000 (\$35,000 in 2020), respectively.

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Notes to the Consolidated Financial Statements
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15. Preferred shares (continued)

A crediting factor will be applied to repayment of the Promissory Notes and repurchase of Preferred shares as follows:

From August 1, 2021 to December 31, 2021	2.50x
From January 1, 2022 to June 30, 2022	1.50x
From July 1, 2022 to December 31, 2022	1.25x

Notwithstanding the crediting factor, the minimum payment by the Corporation to repay the Promissory Notes and repurchase the Preferred Shares is \$8 million.

Previously, the Series A Preferred Shares bore a preferred return equal to 24%, compounded annually from June 30, 2016, less any amounts previously distributed as dividends.

The nominal value of the Preferred Shares amount is \$6,886,819 as at July 31, 2021. There is no conversion option and there is no related embedded derivative. The value has been recorded using the best estimate of the payment applying the crediting factor. The amounts were discounted at 9%, the interest rate of the Promissory Notes and Preferred shares. Previously, in accordance with IAS 32, Financial Instruments: Presentation ("IAS 32"), the Corporation had determined that the conversion option together with the redemption option feature (collectively the "Conversion Options") constituted an embedded derivative financial instrument.

Upon a conversion into common shares of the Corporation, the carrying amount of the host debt instrument recorded at amortized cost and the fair value of the related embedded derivative will be transferred to Equity. Upon a conversion into debt, the carrying amount of the host debt instrument and the fair value of the related embedded derivative was to be transferred as a normal liability carried at amortized cost.

The Preferred Shares were a hybrid instrument, which are in their entirety regarded as a financial liability. As at July 31, 2020, the Corporation reviewed the estimated fair value of the Preferred shares embedded derivatives and adjusted the initial fair value to \$nil using the same valuation technique.

In 2020, the fair value of the Conversion Options was estimated using a Black-Scholes valuation model using the following assumptions: estimated life: 1-year, actual stock price: \$0.15, volatility: 94.54%, dividend yield: 0%, risk-free rate: 0.11%.

Expected volatility was based on the Corporation's historical volatility and the volatility of an equity market index in the health-care providers and services for the same period. The credit spread used in the valuation was based on an index for CAD triple-C corporate bonds.

For the year ended July 31, 2020, the change in fair value of derivatives resulted in a reduction of expense of \$805,689 and was recorded in the consolidated statements of loss and comprehensive loss.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

16. Share capital and other components of equity

SHARE CAPITAL

The Corporation's share capital consists only of 147,540,947 fully paid Class "A" common shares, voting and participating. The Corporation has authorized an unlimited number of Class "A" common shares without par value.

The common shares entitle the holders thereof to one vote per share. The holders of the common shares are entitled to receive dividends as declared from time to time. Subject to the rights, privileges, restrictions, and conditions attached to any other class of shares of the Corporation, the holders of the common shares are entitled to receive the remaining property of the Corporation upon its dissolution, liquidation or winding-up. On May 11, 2021, the Corporation issued 20,000,000 Class A shares in regards of the right acquired in the ZRx Prescriber for a value of \$4,000,000. The value was established in refer of the share issued. Refer to note 9 – Intangible assets. On the 20,000,000 Class A shares issued, 10,000,000 of these shares are held in escrow and will be released as follows:

- 5,000,000 shares on May 10, 2022
- 5,000,000 shares on May 10, 2023

The Corporation issued a total of 1,000,000 common shares to two officers at \$0.14 per share on February 18, 2021. Those shares were evaluated at fair value at that date and were recorded as share-based compensation for total of \$140,000.

On October 15, 2020, the Corporation granted restricted common shares ("RCS") to executives. The grant consists of a base amount of 4,000,000 shares with vesting subject to retention condition. The RCS vests as one quarter at the date of the grant, one quarter in twelve months, one quarter in twenty-four months, one quarter in thirty-six months. For the year ended July 31, 2021, stock-based compensation for shares not yet issued of \$188,680 was recorded in the consolidated statement of loss.

On November 24, 2020, the Corporation issued a private placement totalling 8,000,000 units at a price of \$0.15 per unit for total gross proceeds of \$1,200,000. Each unit consists of one class A share of KDA and one common share warrant. Each warrant entitles the holder to purchase one additional Common share of the Corporation at an exercise price of \$0.20 per Common Share for a period of 12 months ending on November 24, 2021.

The Corporation paid a cash commission and share issue cost of \$56,782 in relation to this Private Placement.

On September 20, 2019, KDA announced a debt settlement with Marc Lemieux, President and Chief of the operation of KDA for a total amount of \$925,000 totalling 4,625,000 Class A Share of KDA at a price of \$0.20 per Class A share. In accordance with IFRIC 19, KDA report a loss on debt settlement of \$231,250.

KDA GROUP INC.

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16. Share capital and other components of equity (continued)

On October 22, 2019, KDA announced a private placement totaling 19,720,000 units at a price of \$0.25 per Unit for total gross proceeds of \$4,930,000.

From these placements, an amount of \$150,000 totaling 600,000 Class A Share of KDA was for a debt settlement with an investor.

Each Unit consists of one Class A Share of KDA and one-half of one Common share purchase warrant. Each Warrant entitles the holder to purchase one additional Common share of the Corporation at an exercise price of \$0.40 per Common share for a period of 12 months ending October 22, 2020.

The Corporation paid a cash commission of \$27,600 in relation to this Private Placement and issued 110,400 non-transferable share purchase warrants (the "Broker warrants"). Each Broker warrant entitles the holder to purchase one Common share at an exercise price of \$0.25 per Common share for a period of 12 months ending October 22, 2020.

At the same date, the Corporation completed a debt settlement with a creditor totaling \$825,000 with the same terms as the Private Placement subscribers as disclosed above, meaning in exchange for the issuance of 3,300,000 Common shares at a price of \$0.25 per Common share and 1,650,000 Warrants. No gain or loss were recognized under IFRIC 19 following the debt settlement.

On November 8, 2019, the Corporation completed and debt settlement with a creditor totaling \$780,000 in exchange for the issuance 2,600,000 common shares of KDA. Under IFRIC 19, the settlement created a loss on debt settlement of \$26,000.

On January 8, 2020, options granted at Directors, employees and consultants were exercised at the expiry date for the issuance of 1,375,000 common stock of KDA and a gross proceed of \$206,250.

For the year ended July 31, 2021, 120,000 common stocks of KDA were issued following the exercise of 120,000 warrants at \$0.15. For the year ended July 31, 2020, 40,000 common stock of KDA were issued following the exercise of 40,000 warrants at \$0.20.

CONTRIBUTED SURPLUS

The contributed surplus account is used to record amounts arising from the issuance of share-based payment awards.

WARRANTS

On November 24, 2020, 8,000,000 warrants were issued at an exercise price of \$0.20. Each warrant entitles its holder to purchase one common share at a price of \$0.20 per share until the first anniversary of their issuance. An amount of \$581,759 was allocated to the warrants on the basis of the relative fair values using the Black-Scholes pricing model with the following assumptions:

KDA GROUP INC.

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For the years ended July 31, 2021 and 2020

16. Share capital and other components of equity (continued)

Risk free interest rate	0.26%
Expected volatility	101.35%
Dividend yield	NIL
Expected life	1 year
Grant date fair value	\$0.0727

On October 22, 2019, the Corporation issued 9,860,000 warrants in connection with the private placement and 1,650,000 warrants in connection with the debt settlement both described above. Each warrant entitles its holder to purchase one common Share at a price of \$0.40 at any time until the first anniversary of their issuance. Amounts of \$1,190,476 and \$199,218 were respectively allocated to the warrants on the basis of the relative fair values using the Black Scholes option pricing model with the following assumptions:

Risk free interest rate	1.59%
Expected volatility	94.54%
Dividend yield	NIL
Expected life	1 year
Grant date fair value	\$0.1207

THE FOLLOWING IS A CONTINUITY OF THE WARRANTS OUTSTANDING AS AT :

	Number of warrants	Weighted average exercisable price
Balance, at July 31, 2020	37,059,304	0.41
Issuance	8,000,000	0.20
Exercised	(120,000)	0.15
Expired	(1,760,400)	0.39
Balance, at July 31, 2021	43,178,904	0.37

KDA GROUP INC.

Notes to the Consolidated Financial Statements
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16. Share capital and other components of equity (continued)

THE FOLLOWING TABLE PRESENTS THE DETAILS OF THE ISSUED AND OUTSTANDING WARRANTS AS AT:

Exercise price	July 31, 2021		July 31, 2020	
	Expiry date	Number	Expiry date	Number
0.25	-	-	October 22, 2020	110,400
0.15	-	-	March 21, 2021	120,000
0.40	October 22, 2022	9,860,000	October 22, 2020	11,510,000
0.20	November 7, 2021	13,890,333	November 7, 2020	13,890,333
0.69	October 20, 2021	11,428,571	October 20, 2021	11,428,571
0.20	November 24, 2021	8,000,000	-	-
		43,178,904		37,059,304

STOCK OPTION PLAN

The Corporation offers a stock option plan for the benefit of its directors, employees, consultants, and persons conducting investor relations activities (the "Plan"). The total number of shares which may be issued under the Plan may not exceed 25,284,189 options (23,684,189 options as of July 31, 2020). The exercise price payable for each option is determined by the Board at the date of grant and may not be less than the market price of the common share at the closing price of the TSX-V the day preceding the grant date for a minimum amount of \$0.10 per option. The options vest over periods ranging between the issue and 2 years.

On February 18, 2021, 7,000,000 options were granted. The fair value was estimated using the Black & Scholes pricing model based on the following weighted average assumptions:

Risk free interest rate	0.58%
Expected volatility	93.14%
Dividend yield	NIL
Expected life	5 years
Grant date fair value	\$0.1187

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Notes to the Consolidated Financial Statements
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16. Share capital and other components of equity (continued)

THE TABLE BELOW SUMMARIZES THE CHANGES IN THE OUTSTANDING STOCK OPTIONS:

	At July 31, 2021		At July 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the year	4,860,000	0.29	6,835,000	0.25
Issuance	7,000,000	0.18	500,000	0.30
Expired	-	0.25	(766,667)	0.20
Cancelled	(330,000)	0.25	(333,333)	0.25
Exercised	-	-	(1,375,000)	0.15
Balance, end of the year	11,530,000	0.21	4,860,000	0.29

THE FOLLOWING TABLE SUMMARIZES INFORMATION ABOUT STOCK OPTIONS OUTSTANDING AND EXERCISABLE AT JULY 31, 2021:

Exercise price	Options outstanding		Options exercisable
	Number of options	Weighted average remaining contractual life (in years)	Number of options
0.18	7,000,000	4.5	2,333,333
0.25	650,000	1.5	650,000
0.25	880,000	2.6	880,000
0.25	2,500,000	2.8	2,500,000
0.30	500,000	3.3	500,000
0.21	11,530,000	3.8	6,863,333

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16. Share capital and other components of equity (continued)

Of the options outstanding at July 31, 2021, a total of 5,200,000 (July 31, 2020 – 2,500,000) are held by key management personnel and directors.

Share-based compensation is a non-cash item and is measured in accordance with a prescribed formula. Share-based compensation expense recognized by the Corporation for the Stock option plan for the year \$880,612 (\$352,694 in 2020)

17. Revenues

	2021	2020
Replacement pharmacists	13,165,006	12,866,575
Training	11,134,944	9,966,592
Others	58,750	59,164
Total	24,358,700	22,892,331

18. Cost of revenues

Cost of revenues includes compensation and related employee benefits for a total amount of \$11,818,201 (\$10,490,181 in 2020).

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19. Selling and administrative expenses

	2021	2020
Salaries and fringe benefits	1,799,453	1,225,241
Professional fees	1,833,874	2,751,588
Travel, meals and entertainment	30,987	132,970
Supplies and office expenses	314,392	263,180
Telecommunications	76,540	75,506
Regulatory and filing fees	71,142	73,399
Rental fees	48,949	105,046
Revaluation of the due to third party	-	(400,432)
Other	13,245	71,490
Sub-total	4,188,582	4,297,988
Share-based compensation	880,612	352,694
Write-down advances receivables	200,843	-
Total	5,270,037	4,650,682

KDA GROUP INC.

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20. Net finance (income) costs

	2021	2020
Accreted interest	14,213	2,797,249
Fair value adjustment of the conversion option	–	(805,000)
Realized gain on derivative financial instrument	–	(46,000)
Loss (gain) on debts and preferred shares settlement	(4,636,742)	245,540
Financial costs	3,109,216	2,977,720
Net finance (income) costs	(1,513,313)	5,169,509

21. Current and deferred income taxes

The income tax expense reported differs from the amount computed by applying Canadian Federal and Provincial income tax rate to income before taxes of 26.50% (2020 – 26.54%). The reason for the difference and the related tax effects are as follows:

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21. Current and deferred income taxes (continued)

	At July 31, 2021	At July 31, 2020
Net loss before income taxes	341,869	(5,346,931)
Statutory income tax rate	26.50%	26.54%
Expected income tax recovery	90,595	(1,419,076)
Adjustments:		
Loss on disposal of investments	265,205	—
Non-capital losses not tax effected	3,951	197,557
Non-taxable revenues	(1,157,017)	—
Non-deductible expenses	241,057	1,179,587
Unrecognized loss from previous years	—	(675,486)
Others	12,718	(72,701)
Income tax recovery	(543,491)	(790,119)

KDA GROUP INC.

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For the years ended July 31, 2021 and 2020

21. Current and deferred income taxes (continued)

THE TAX EFFECTS OF TEMPORARY DIFFERENCES AND NET OPERATING (INCOME) LOSSES THAT GIVE RISE TO DEFERRED INCOME TAX ASSETS AND LIABILITIES ARE AS FOLLOWS:

	At July 31, 2021	At July 31, 2020
Deferred tax assets		
Net operating losses carried forward	1,293,561	649,152
Financial expenses	188,965	257,813
Non-deductible provision	416,153	—
Change in fair value of investment	—	79,500
	1,898,679	986,465
Deferred tax liabilities		
Carrying value of intangibles assets in excess of tax basis	328,662	346,832
Tax basis of capital assets in excess of carrying value	7,114	11,325
	335,776	358,157

As of July 31, 2021, the Corporation had non-capital losses of \$5,943,564 (2020 - \$3,649,349). Of these non-capital losses, \$1,062,204 was not recognized. These unrecognized non-capital losses will expire gradually between 2029 and 2041. As of July 31, 2021, the Corporation had capital losses of \$12,169,942 (2020 - \$11,169,168) for which no deferred tax benefit has been recorded.

22. Profit (loss) per share

The calculation of basic net profit per share was based on the net profit (loss) attributable to Class A common shares of \$561,504 (net loss of \$4,309,823 in 2020) and a weighted average number of Class A common shares of 126 394 358 (111,278,687 as at July 31, 2020).

The effect of potential issuances of shares under stock options, warrants and preferred shares would not have a significant impact on basic profit (loss) per share for the years ended July 31, 2021 and 2020.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2021 and 2020

23. Segmented information

In line with the Corporation's strategic plan, the Corporation provides information on three reporting segments: Pharmacy Services, Pharmaceutical Solutions, and Technology. The Pharmaceutical cannabis subsidiary was sold in June 2021. The profitability measures employed by the chief operating decision maker, who is responsible for allocating resources and for assessing segment performance. The profitability measure is gross margin less selling and administrative expenses

INFORMATION PERTAINING TO EACH SEGMENT FOR THE TWELVE-MONTH PERIOD ENDED JULY 31:

	Pharmacy Services		Pharmaceutical Solutions		Technology		Corporate and others		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenues	13,165,006	12,866,575	11,134,944	9,966,592	-	-	58,750	59,164	24,358,700	22,892,331
Segment operating income (loss)	2,583,237	2,381,514	3,107,900	1,732,714	(1,322)	-	(3,769,967)	(2,899,603)	1,919,848	1,214,625
Assets acquisitions										
Property and equipment	7,116	88,157	38,739	14,335	-	-	2,271	2,886	48,126	105,378
Intangibles	11,242	65,237	-	-	6,439,977	-	-	-	6,451,219	65,237

KDA GROUP INC.

Notes to the Consolidated Financial Statements
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24. Financial instruments and financial risks management

CLASSIFICATION OF FINANCIAL INSTRUMENTS

The carrying amounts of the Corporation's financial assets and liabilities by categories are as follows:

FINANCIAL ASSETS AND LIABILITIES RECOGNIZED AT AMORTIZED COST

	At July 31, 2021	At July 31, 2020
Cash	1,717,150	1,782,230
Trade receivables	3,726,008	3,669,360
Loans receivable from shareholders, without interest	3,080	4,884
Advances receivables	228,156	408,756
Bank indebtedness	980,000	1,350,000
Trade and other payables (excluding sales tax payable)	2,872,837	2,769,972
Due to shareholders, without interest	100,561	290,561
Due to third-party	522,612	1,093,903
Long-term debt	7,628,247	4,545,093
Lease liabilities	247,313	267,270
Preferred shares	4,091,221	9,646,835

FAIR VALUE

Fair value is the estimated amount that parties dealing at arm's length would accept to exchange in settlement of a financial instrument based on the current market for instruments with the same risk, principal, and maturity date. These fair value estimates are affected by assumptions made about the amount and timing of estimated future cash flows, discount rates and terms of the contract. As a result, the fair values are not necessarily the net amounts that would be realized if such financial instruments were settled.

The Corporation has determined that the carrying amount of its short-term financial assets and liabilities, including, trade receivables, bank indebtedness and trade and other payables, approximates their fair value because of the relatively short periods to maturity of these instruments.

The carrying amount of long-term debt and preferred shares are \$8,724,649 and \$6,886,819, respectively.

Management believes that no significant change occurred in the risk of these instruments.

KDA GROUP INC.

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24. Financial instruments and financial risks management (continued)

FAIR VALUE HIERARCHY

Fair value estimates are made as of a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and may not be determined with precision. A three-tier fair value hierarchy prioritizes the inputs used in measuring fair value. These tiers include:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

FINANCIAL ASSETS AND LIABILITIES RECOGNIZED AT FAIR VALUE

	At July 31, 2021	At July 31, 2020
Investment (level 3)	-	700,000

RISKS

In the normal course of its operations and through its financial assets and liabilities, the Corporation is exposed to the following risks:

- credit risk
- liquidity risk
- market risk

This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, and processes for managing risk, and the Corporation's capital management. Further quantitative disclosures are included throughout these condensed consolidated interim financial statements.

RISK MANAGEMENT FRAMEWORK

The Corporation's management identifies and analyzes the risks faced by the Corporation, sets appropriate risk limits and controls, and monitors risks and adherence to limits. Risk management is reviewed regularly to reflect changes in market conditions and the Corporation's activities.

The Board of Directors has overall responsibility of the Corporation's risk management framework. The Board of Directors monitors the Corporation's risks through its audit committee. The audit committee reports regularly to the Board of Directors on its activities. The Corporation's audit committee oversees how management monitors and manages the Corporation's risks.

KDA GROUP INC.

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24. Financial instruments and financial risks management (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligation and arises principally from the Corporation's trade receivables. The Corporation grants credit to its customers in the ordinary course of business. Management believes that the credit risk of trade receivables is limited due to the following reasons:

- No single customer accounts for more than 10% of the Corporation's revenues;
- Approximately 88% (July 31, 2020 – 85%) of the Corporation's trade receivables are not past due or 30 days or less past due.

IMPAIRMENT LOSSES

THE AGING OF TRADE RECEIVABLES AT THE REPORTING DATE WAS:

	At July 31, 2021		At July 31, 2020	
		Impairment		Impairment
Not past due	2,217,439	—	2,369,474	—
Past due 1 - 30 days	1,043,185	—	758,425	—
Past due 31 - 60 days	427,975	—	321,691	—
Past due more than 60 days	37,409	—	219,770	—
Total	3,726,008	—	3,669,360	—

The Corporation cash balances, and restricted cash balances are maintained at major Canadian banks, which management believes to be creditworthy.

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

Cash inflows and cash outflows requirements from the Corporation and its subsidiaries are monitored closely and separately to ensure the Corporation optimizes its cash return on investment. Typically, the Corporation ensures that it has sufficient cash to meet expected operational expenses. The Corporation monitors its short and medium-term liquidity needs on an ongoing basis using forecasting tools.

KDA GROUP INC.

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24. Financial instruments and financial risks management (continued)

THE FOLLOWING ARE THE CONTRACTUAL MATURITIES OF THE FINANCIAL LIABILITIES:

	Less than 1 year	Between 1 and 5 years	More than 5 years
Bank indebtedness	980,000	-	-
Trade and other payables (excluding sales tax)	2,872,837	-	-
Due to shareholders	100,561	-	-
Due to third-party	522,612	-	-
Long-term debt	1,748,079	5,880,168	-
Lease liabilities	34,325	161,164	51,824
Total	6,258,414	6,041,332	51,824

(c) Market risk

INTEREST RATE RISK

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument held by the Corporation will fluctuate, because of changes in interest rates. The Corporation's financial liabilities other than current liabilities, is comprised of medium to long-term variable rate debt.

THE CORPORATION'S EXPOSURE TO INTEREST RATE RISK IS SUMMARIZED AS FOLLOWS:

Cash	Fixed interest rates
Trade receivables	Non-interest bearing
Advances and loans receivable	Non-interest bearing
Bank indebtedness	Variable interest rates
Trade and other payables	Non-interest bearing
Long-term debt	Fixed and variable interest rates

KDA GROUP INC.

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24. Financial instruments and financial risks management (continued)

(d) Capital management

For the purposes of capital management, capital consists of share capital and retained earnings of the Corporation. The Corporation's objectives when managing capital are:

- To ensure proper capital investment to provide stability and competitiveness to its operations;
- To ensure sufficient liquidity to pursue its growth strategy and undertake selective acquisitions;
- To maintain an appropriate debt level so that there are no financial constraints on the use of capital;
- To maintain investors, creditors, and market confidence.

In managing capital structure, the Corporation manages its capital through regular reports to the board of directors, as well as management review of monthly or quarterly financial information. The Corporation seeks to maintain a balance between the highest returns that might be possible with higher levels of borrowing and the advantages and security by a sound capital position. There were no changes in the Corporation's approach to capital management during the period.

25. Related party transactions

Transactions with key management personnel

The Corporation's related parties include companies under common control as well as key management personnel. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. The transactions are measured at value of the consideration given or received, which has been established and agreed by the parties. Outstanding balances are usually settled in cash.

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Corporation as a whole. The Corporation has determined that key management personnel consist of the Corporation's Board of Directors and corporate officers.

THE KEY MANAGEMENT AND DIRECTORS RECEIVED THE FOLLOWING REMUNERATION

	2021	2020
Professional fees	459,241	599,108
Compensation	973,655	275,625
Share-based compensation ⁽¹⁾	522,270	113,856

⁽¹⁾ It includes \$328,680 of share-based salary from the issuance of 1,000,000 restricted common shares at \$0.14 per share.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
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25. Related party transactions (continued)

THE CORPORATION HAS THE FOLLOWING AMOUNTS OWING TO KEY MANAGEMENT PERSONNEL AS:

	At July 31, 2021	At July 31, 2020
Trade and other payables	-	12,977
Dividend payable ⁽¹⁾	75,000	75,000

⁽¹⁾ Recorded before the reverse takeover transaction in 2015 from prior business combination in the acquired entity.

26. Changes in non-cash working capital

	At July 31, 2021	At July 31, 2020
Trade receivables	(56,648)	(391,271)
Inventories	37,226	(149,905)
Income taxes receivable	86,383	(104,040)
Prepaid expenses	(37,491)	(26,729)
Loans receivable	1,804	-
Trade and other payables	768,205	(407,325)
Due to a third party	(571,291)	-
Income taxes payable	(57,736)	(199,001)
Deferred revenues	566,953	(3,554)
Total	737,405	(1,281,825)

KDA GROUP INC.

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26. Changes in non-cash working capital (continued)

Non-cash transactions

July 31, 2021

On March 9, 2021, the Corporation acquired the ownership rights in the ZRx Prescriber to develop, commercialize and exploit the ZRx Prescriber in the United States, Europe and the United Kingdom, in consideration for 20,000,000 Class A shares issued on May 11, 2021. The value was established in regards of the shares issued at \$4,000,000

On July 30, 2021, \$3,584,862 were transferred from the Series A preferred shares into promissory notes. At the same time, \$587,372 of accrued interest were transferred from trade and other payables to long-term debt.

July 31, 2020

The Corporation has reached agreements to settle debts and advances totaling \$2,680,259 in exchange of 11,125,000 Class A shares and 1,650,000 warrants (note 16).

Following an agreement between two shareholders, a \$810,000 debt was compensated in diminution to a loan receivable from shareholders for the same amount.

The Corporation issued 110,400 broker warrants following the completion of the private placement in October 2019 (note 16).

The right of use assets of \$2,597,930 and related lease liabilities of \$2,963,660 recorded in the year ended July 31, 2020 were non-cash (note 3).

The re-allocation upon exercise of stock options and warrants from reserves to share capital for the respective amounts of \$154,000 and \$2,141.

27. Commitment

The Corporation entered into an agreement with a third party for the development of the technology. This agreement expires in November 2021. The remaining commitment amounts to \$722,932.

28. Contingency

On June 29, 2016, in the purchase agreement of Pharmapar inc. ("PPR"), the Corporation agreed and committed to indemnify the seller for tax litigation up to \$350,000. PPR has been audited by the provincial tax authorities and adjustments are being discussed with the seller of PPR. The outcome of any further action on this matter is indeterminable at this time.

No adjustments have been reflected in the consolidated financial statements.

KDA GROUP INC.

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29. Subsequent events

On August 4, 2021, the Corporation closed a new term debt financing of up to \$7 million with a December 30, 2022 maturity date (the "Debt Financing") with a private lending institution. The Debt Financing consists in two (2) separate loans of \$3 million each and \$1 million incremental has been pre-approved and can be called by the Corporation with private lending institution's approval subject to a 2 % per year standby fee. The interest rate of the Debt Financing is 9.95 % per year.

The Debt Financing is secured through general security agreements or hypothecs. It is subject to financial covenants. The Corporation fully repaid to outstanding loan with a Canadian bank and the bank indebtedness.

The Corporation issued 3,000,000 warrants that entitles the private lending institution to purchase one Class A Shares of KDA at an exercise price of \$0.15 per Common Share with an expiration date of December 30, 2022.

On September 10, 2021, the Corporation received a letter of formal notice claiming contractual indemnity from a former officer. Management is in discussion to settle this matter. It believes the maximum liability would amount to approximately \$350,000.

On October 15, 2021, the Corporation issued 500,000 RCS to an executive (Note 16).

On November 16, 2021, the Corporation amended the expiry date of 8,000,000 warrants to purchase 8,000,000 common shares of KDA at a price of \$0.20 per share.

30. Comparative figures

Certain prior year figures have been classified to make their presentation identical to that adopted in 2021. These reclassifications had no effect on the reported result of operations.