

Consolidated Financial Statements of

KDA GROUP INC.

For the years ended July 31, 2022, and 2021

KDA GROUP INC.

Consolidated Financial Statements

For the years ended July 31, 2022, and 2021

Consolidated Financial Statements

Consolidated Statements of Financial Position	1
Consolidated Statements of Profit (Loss) and Comprehensive Profit (Loss)	3
Consolidated Statements of Changes in Deficiency	4
Consolidated Statements of Cash Flows	5
Notes to the Consolidated Financial Statements	6

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, 2022 and July 31, 2021, 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, 2022 and 2021, 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.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Bedard.

Guimond Lavoie inc.¹

Chartered Professional Accountant Corporation

Brossard (Quebec)
November 25, 2022

¹ CPA auditor, public accountancy permit No. A128615

KDA GROUP INC.

Consolidated Statements of Financial Position
As at July 31, 2022 and 2021

	2022	2021
	\$	\$
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	2,737,141	1,717,150
Trade receivables	5,044,522	3,726,008
Inventories	-	55,314
Prepaid expenses	96,911	97,854
Income taxes receivable (note 20)	-	17,657
Advances receivable, without interest	-	228,156
Loans receivable from shareholders, without interest	3,080	3,080
	7,881,654	5,845,219
<i>Non-current assets</i>		
Property and equipment (note 6)	99,304	119,788
Intangible assets (note 7)	10,162,836	7,799,322
Goodwill (note 8)	6,310,861	6,310,861
Deferred tax assets (note 20)	2,409,271	1,898,679
Right of use assets (note 9)	1,802,867	224,260
	20,785,139	16,352,910
TOTAL ASSETS	28,666,793	22,198,129

KDA GROUP INC.

Consolidated Statements of Financial Position

As at July 31, 2022 and 2021

	2022	2021
	\$	\$
LIABILITIES		
Current liabilities		
Bank indebtedness (note 10)	-	980,000
Trade and other payables (note 11)	4,222,669	3,134,701
Due to third-party (note 5)	128,453	522,612
Deferred revenues	1,697,350	806,752
Due to shareholders, without interest	-	100,561
Income taxes payable (note 20)	8,584	438,003
Preferred shares (note 14)	7,873,881	-
Current maturity of long-term debt (note 12)	8,219,594	1,748,079
Current maturity of lease liabilities (note 13)	290,408	34,325
	22,440,939	7,765,033
Non-current liabilities		
Long-term debt (note 12)	4,590,563	5,880,168
Lease liabilities (note 13)	1,563,915	212,988
Preferred shares (note 14)	-	4,091,221
Deferred tax liabilities (note 20)	274,260	335,776
	6,428,738	10,520,153
TOTAL LIABILITIES	28,869,677	18,285,186
DEFICIENCY		
Share capital (note 15)	29,904,954	29,799,954
Contributed surplus	2,866,272	1,652,133
Deficiency attributable to shareholders	(32,974,139)	(27,539,173)
Equity attributable to non-controlling interest	29	29
TOTAL DEFICIENCY	(202,884)	3,912,943
TOTAL LIABILITIES AND DEFICIENCY	28,666,793	22,198,129

Going concern (note 1)
Contingencies (note 27)
Subsequent events (note 28)

Approved on behalf of the Board:

(Signed)
Michael W. Kinley, Director

(Signed)
Luc Olivier, 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, 2022, and 2021

	2022	2021
	\$	\$
Revenues (note 16)	28,823,689	24,368,697
Cost of revenues (note 17)	20,762,730	17,168,814
Gross Margin	8,060,959	7,199,883
Selling and administrative expenses (note 18)	6,252,423	5,289,923
Income before depreciation, amortization and loss (gain) on sales	1,808,536	1,909,960
Amortization and depreciation (notes 6,7,9)	625,177	480,422
Gain on disposal of assets	(6,438)	(22,084)
Gain on write-off of accounts payable	(98,486)	-
Loss on sale of investment (note 5)	-	999,999
Loss on the sale of a subsidiary (note 26)	-	1,610,870
Operating income (loss) before following	1,288,283	(1,159,247)
Net finance expenses (income)		
Financial costs	1,651,617	3,121,413
Accreted interest (note 19)	1,825,015	14,213
Amortization of financing costs	-	-
Loss on debt revaluation (notes 12, 14)	2,457,975	-
Gain on debts and preferred shares	-	(4,636,742)
(Loss) income before income tax (recovery) expense	(4,646,324)	341,869
Income taxes expenses (note 20)	488,112	391,104
Deferred income tax recovery (note 20)	(572,108)	(934,595)
Net (loss) income from continuing operations	(4,562,328)	885,360
Net loss from discontinued operations (note 26)	-	(323,827)
Net profit (loss) and comprehensive profit (loss)	(4,562,328)	561,533
(Loss) profit and comprehensive (loss) profit attributable to:		
Equity holders of KDA Group Inc.	(4,562,328)	561,504
Non-controlling interest	-	29
	(4,562,328)	561,533
(Loss) profit per share to equity holders of KDA Group Inc. from continued operations		
Basic and diluted (note 21)	(0.03)	0.00
Profit per share to equity holders of KDA Group Inc. from discontinued operations		
Basic and diluted (note 21)	-	0.00

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, 2022, and 2021

	<u>Total Deficiency attributable to shareholders</u>									
	Number of shares	Class "A" Common shares	Contributed surplus	Warrants reserve	Premium on convertible shares and debentures	Deficiency	Total	Other comprehensive loss	Non controlling Interest	Total equity (deficiency)
	#	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance on 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
Issuance of shares	500,000	80,000	(80,000)	-	-	-	-	-	-	-
Options exercised	100,000	25,000	-	-	-	-	-	-	-	25,000
Issuance of warrants	-	-	-	137,801	-	-	137,801	-	-	137,801
Warrants expired	-	-	1,010,439	(1,010,439)	-	-	(1,010,439)	-	-	-
Stock-based compensation	-	-	283,700	-	-	-	-	-	-	283,700
Net loss	-	-	-	-	-	(4,562,328)	(4,562,328)	-	-	(4,562,328)
Balance at July 31, 2022	148,140,947	29,904,954	2,866,272	1,903,851	(2,274,216)	(32,603,774)	(32,974,139)	-	29	(202,884)
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

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, 2022 and 2021

	2022	2021
	\$	\$
Cash flows from operating activities:		
Net income (loss) for the year	(4,562,328)	885,361
Net loss from discontinued operations	-	(323,827)
Adjustments for:		
Income tax expense (note 20)	488,112	391,104
Deferred income tax expenses (recovery) (note 20)	(572,108)	(934,595)
Accrued interest	1,174,597	2,362,212
Accreted interest	1,825,015	14,213
Gain on write-off of accounts payable	(98,486)	-
Gain on disposal of assets	(6,438)	-
Gain on preferred shares settlement	-	(4,636,742)
Loss on sale of investment (note 5)	-	999,999
Share-based compensation	283,700	880,612
Provisions	405,314	131,817
Amortization and depreciation (notes 6,7,9)	625,177	480,422
Loss on sale of subsidiary (note 26)	-	1,610,870
Government grants	-	(30,000)
Write-down of advances receivables	280,752	200,843
Attributable to sale of subsidiary	-	173,690
Loss on debt revaluation (notes 12, 14)	2,457,975	-
	2,301,282	2,205,979
Changes in non-cash elements of working capital (note 25)	(884,552)	737,405
	1,416,730	2,943,384
Cash flows from investing activities:		
Advances to the subsidiary sold during the year	-	(480,582)
Additions to property and equipment (note 6)	(45,423)	(48,126)
Additions to intangibles assets (note 7)	(2,583,189)	(2,451,219)
Advances to third-party	(52,596)	-
Attributable to sale of subsidiary	-	(121,685)
	(2,681,208)	(3,101,612)
Cash flows from financing activities:		
Proceeds from share issued	-	1,200,000
Shares and debentures cost	-	(122,430)
Convertible debentures, net of issuance cost	-	728,437
Repayment of due to shareholder	(100,561)	(250,000)
Proceeds from long-term debt, net of issuance costs (note 12)	5,815,812	60,000
Repayment of long-term debt (note 12)	(2,134,391)	(1,378,937)
Repayment of lease liabilities (note 13)	(341,391)	(41,887)
Exercise of warrants and stock options (note 15)	25,000	18,000
Increase (decrease) in the bank indebtedness (note 10)	(980,000)	(370,000)
Attributable to sale of subsidiary	-	249,965
	2,284,469	93,148
Net increase (decrease) in cash and cash equivalents	1,019,991	(65,080)
Cash and cash equivalent, beginning of the year	1,717,150	1,782,230
Cash and cash equivalent, end of the year	2,737,141	1,717,150
Supplemental information		
Interest paid	622,120	759,703

Refer to note 25 for non-cash transactions.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

1. Reporting entity and going concern

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, 2022, and 2021, 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.

These consolidated financial statements have been prepared based on accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations as they become due. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

For the year ended July 31, 2022, the Corporation reported a net loss and comprehensive loss of \$4,562,328 (\$561,504 net profit in 2021), a negative working capital of \$14,559,285 (\$1,919,814 as of July 31, 2021) and an accumulated deficit attributable to shareholders of \$32,974,139 at that date (\$27,539,173 as of July 31, 2021).

The Corporation’s recent operating results lend significant doubt as to the ability of the Corporation to meet its obligations as they come due, more specifically toward the promissory notes and preferred shares totaling \$14,424,481 held by a shareholder and maturing on December 31, 2022, and accordingly the appropriateness of the use of the accounting principles applicable to a going concern.

Management is implementing several initiatives to improve its financial structure, drive increased revenues and improve operating profitability. The ability of KDA to ultimately achieve its business plan in the longer term is dependent on some factors outside KDA management’s control. These undertakings, while significant, may not be sufficient in and of themselves to enable the Corporation to fund all aspects of its operations and, accordingly, management may need to pursue other financing alternatives to fund the Corporation’s operations, so it can continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and financial position classifications that would be necessary if the Corporation were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

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 24, 2022.

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.

The consolidated financial statements have been prepared on a going concern basis, meaning the Corporation would be able to realize its assets and discharge its liabilities in the normal course of action.

c) Functional and presentation currency

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

d) 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.

e) 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 could 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. 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.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

2. Basis of preparation (continued)

e) Consolidation (continued)

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

Corporation	Nature of Services	July 31, 2022	July 31, 2021
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.	Pharmacy Services	90%	90%
Groupe Technologique KDA inc.	Pharmaceutical Technology	100%	100%

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

3. Summary of significant accounting policies

CASH AND CASH EQUIVALENTS

The cash and cash equivalents include cash on hand and short-term investments, if any, with maturities upon acquisition of generally three months or less or that are redeemable at any time at full value and for which the risk of a change in value is not significant.

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

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

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

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.

ii) Other finite lives intangible assets

Other intangible assets consist of customer relationships, 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.

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:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- 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, 2022 and 2021

3. Summary of significant accounting policies (continued)

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

BORROWING COSTS

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized to the cost of that asset until it is substantially completed, and it can be used as planned; these costs are subsequently amortized over the expected useful life of the asset. All other borrowing costs are expensed as incurred.

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).

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

LEASES (continued)

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;
- 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 some of the Corporation's property and equipment leases. These terms are used to maximize operational flexibility in terms of managing contracts. Most of the 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 agreements;
- 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.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

IMPAIRMENT

Property, plant and equipment, intangible assets and right-of-use assets

On each reporting date, the Corporation reviews the carrying amounts of property, plant and equipment, of intangible assets and right-of-use assets for indications that these assets have lost value. If there is such an indication, the recoverable amount of the asset is estimated in order to determine the amount of any impairment loss.

Intangibles assets with an indefinite useful life are tested for impairment annually or more frequently whenever events or circumstances indicate that it may have lost value.

If the recoverable amount of the individual asset cannot be estimated, the Corporation estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs; otherwise, they are allocated to the smallest CGU group for which a reasonable and consistent basis of allocation can be identified.

Recoverable amount is the higher of fair value less disposal costs and value in use. To measure value in use, the estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the estimated recoverable amount of an asset or of a CGU is less than its carrying amount, the carrying amount of the asset or of the CGU is reduced to its recoverable amount and an impairment loss is recognized in profit or loss in (gains) losses on capital assets.

When an impairment loss subsequently reverses, the carrying amount of the asset or of the CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or the CGU in prior years. Reversals of impairment losses are then recognized in profit or loss in (gains) losses on capital assets.

Goodwill and intangible assets with an indefinite useful life

Goodwill is tested for impairment annually or more frequently whenever events or circumstances indicate that it may have lost value.

Goodwill is allocated to the Corporation's subsidiaries, i.e., the CGUs, that benefit from the synergies of the business combination. The Corporation looks for impairment by determining whether the carrying amount of the CGU to which the goodwill is related exceeds its recoverable amount. If impairment is identified, the impairment loss is initially attributed to goodwill and any excess amount is attributed proportionally to the carrying amount of the CGU's assets.

Any impairment of goodwill is recognized in profit or loss in the period in which it is identified in (gains) losses on capital assets. Goodwill impairment losses are not reversed in subsequent periods.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

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.

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 and cash equivalents	Debt instruments	Amortized cost
Trade receivables	Debt instruments	Amortized cost
Advances receivable, without interest	Debt instruments	Amortized cost
Loans receivable from shareholders, without interest	Debt instruments	Amortized cost

KDA GROUP INC.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

FINANCIAL INSTRUMENTS (continued)

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 except for trade receivables, where the carrying amount is reduced through the use 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.

The gross carrying amount of a financial asset is impaired when the Corporation has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Corporation makes an assessment with respect to the timing and amount of provisioning based on whether there is a reasonable expectation of recovery. The Corporation expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Corporation's procedures for recovery of amounts due. In accordance with IFRS 9, a write-off of a financial asset constitutes a derecognition event.

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.

KDA GROUP INC.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

FINANCIAL INSTRUMENTS (continued)

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 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 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.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

FINANCIAL INSTRUMENTS (continued)

Financial liabilities and equity instruments issued by the Corporation (continued)

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 shareholders, without interest	Other financial liability	Amortized cost
Long-term debt	Other financial liability	Amortized cost
Lease liabilities	Other financial liability	Amortized cost
Preferred shares	Other financial liability	Amortized cost
Embedded derivative in Series B Preferred Shares and Promissory Note	FVTPL ⁽¹⁾	Fair value

⁽¹⁾ Fair value through profit or loss

Derecognition of financial liabilities

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

DEFERRED FINANCING COSTS

Financing costs related to debt are deferred and amortized over the term of the corresponding loans using the effective interest rate method. 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, 2022 and 2021

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 contracts a variety of agreements 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 22.

Replacements pharmacists – Pharmacy services

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

Training – Pharmaceutical solutions

The Corporation contracts agreements with its customers to provide educational and 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 agreements. Revenues and costs only begin to be recognized when the Corporation can reasonably measure its progress towards complete satisfaction of the agreement'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 agreement.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

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.

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. When a service condition is not respected, the previous stock-based compensation recognized in the consolidated statement of income and comprehensive income is reversed in the year that the non-respect of the service condition occurs.

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 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, accretion of interest, amortization of financing costs and any debt revaluation.

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

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

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.

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.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

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 because of past service provided by the employee, and the obligation can be estimated reliably.

GOVERNMENT GRANTS

During 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 \$76,631 in 2022 (\$333,262 in 2021).

KDA GROUP INC.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2022 and 2021

3. Summary of significant accounting policies (continued)

STANDARDS ISSUED BUT NOT YET EFFECTIVE

On July 31, 2022, 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 8 – Accounting Policies, Changes in Accounting Estimates and Errors**

The amendments introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are effective for annual periods beginning on or after January 1, 2023, and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with early application permitted.

ii) **Amendments to IAS 12 – Income taxes**

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as leases.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted.

KDA GROUP INC.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2022 and 2021

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 and assumptions resulting from changes in the economic environment will be reflected in the consolidated financial statements of future periods.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements impact the following areas:

Impairment of non-financial assets

Goodwill is reviewed annually for impairment and other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Judgment is required in establishing whether there are indicators of impairment related to such non-financial assets. 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 considering dismantle and transportation costs.

The most sensitive assumptions used in the impairment testing model include discount rates and growth rates. Management believes such assumptions to be reasonable. These assumptions involve a high degree of judgment and complexity and reflect management's best estimates based on available information at the assessment date. Failure to meet certain of those assumptions could have an impact on the estimated recoverable value of the Corporation's CGU.

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. Refer to note 8.

Impairment of financial assets

The measurement of financial assets carried at amortized cost includes management's estimates regarding the expected credit losses that will be realized on these financial assets. Refer to note 23.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

4. Critical accounting estimate and judgements (continued)

Fair value

All financial instruments are required to be recognized at fair value on initial recognition. Subsequent measurement is at amortized cost or fair value depending on the classifications of the financial instruments. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction, between knowledgeable, willing parties who are under no compulsion to act. This is a point-in-time measurement that may be changed in subsequent reporting periods due to market conditions or other factors.

Fair value of a financial instrument is determined by reference to quoted prices in the most advantageous active market to which the Corporation has immediate access. In the absence of an active market, fair value is determined based on internal or external valuation models, including discounted cash flow models. Fair value determined using these valuation models requires the use of assumptions concerning the amount and timing of estimated future cash flows, as well as several other variables. In determining these assumptions, external readily observable market inputs are considered, as applicable. When such data is unavailable, the Corporation uses the best possible estimate. Since they are based on estimates, these fair values may not be realized in an actual sale or immediate settlement of the instruments.

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.

The Series "A" 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.

The Serie B Preferred Shares and Promissory Notes ("the Loans") are initially measured at fair value using a discounted cash flow model that considers the present value of the contractual cash flows using a risk-adjusted discount rate. The discounted cash flow model requires management requires the management to estimate the timing of debt repayments and the effective rate related to the Loans.

When the Corporation revises its estimates and timing of payments for financial liabilities held at amortized cost, it will adjust the gross carrying amount of the amortized cost of a financial liability to reflect actual and revised estimated cash flows. The Corporation recalculates the gross carrying amount of the amortized cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate. The adjustment is recognized in profit or loss.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

4. Critical accounting estimate and judgements (continued)

Fair value (continued)

The Corporation has made assumptions regarding the timing of the payments, which may differ significantly depending upon quarterly excess cash flows and whether the quarterly payment deferral mechanism included within the financial agreement is utilized.

Intangible assets

Management's judgment is applied, and estimates are used, in determining whether costs qualify for recognition as internally developed intangible assets. To be able to recognize an intangible asset, management must demonstrate the item meets the definition of an intangible asset in IAS 38. Management exercises significant judgment in determining whether an item meets the identifiability criteria in the definition of an intangible asset which, in part, requires that the item is capable of being separated or divided from the Company and sold, transferred or licensed either individually or together with a related contract or asset, whether or not the Company intends to do so. Judgment is required to distinguish those expenditures that develop the business as a whole, which cannot be capitalized as intangible assets and are expensed in the years incurred.

Also, to recognize an intangible asset, management, in its judgment, must demonstrate that it is probable that expected future economic benefits will flow to the Corporation and that the cost of the asset can be measured reliably. Estimates are used to determine the probability of expected future economic benefits that will flow to the Corporation. Future economic benefits include net cash flows from future commercial agreements and products deployment, which are dependent upon the ability of the Corporation to commercialize its products which will increase user engagement with its products, and may also include anticipated cost savings, depending upon the nature of the development project.

The Corporation capitalized internal product development costs during the years ended July 31, 2022, and 2021 for all new development projects and projects that, in management's judgment, represent substantial improvements to existing products. In assessing whether costs can be capitalized for improvements, management exercises significant judgment when considering the extent of the improvement and whether it is substantial, whether it is sufficiently separable and whether expected future economic benefits are derived from the improvement itself. Factors considered in assessing the extent of the improvement include, but are not limited to, the degree of change in functionality and the impact of the project on the ability of the Corporation to attract users to its products and increase user engagement with its products. Costs which do not meet these criteria, such as enhancements and routine maintenance, are expensed when incurred.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

4. Critical accounting estimate and judgements (continued)

Income taxes

The estimation of income taxes includes evaluating 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. Refer to note 20.

Provisions

Provisions recognized in the consolidated financial statements involve judgments on the occurrence of future events, which could result in a material outlay for the Corporation. In determining whether an outlay will be material, the Corporation considers the expected future cash flows based on facts, historical experience and probabilities associated with such future events. Uncertainties exist with respect to estimates made by management and as a result, the actual expenditure may differ from amounts currently reported. Refer to note 27.

Going concern

The assessment of the Corporation's ability to raise sufficient funds to pursue its growth strategy involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Share-based compensation

The Corporation uses the fair value method of accounting for its long-term incentive plans, which includes the Incentive Stock Option Plan and Restricted Common Shares ("RCS"). Estimates and assumptions are used in the appropriate valuation models to determine fair value. For stock options, the Corporation uses the Black-Scholes option pricing model which requires that management make assumptions for the expected life of the option, the anticipated volatility of the share price over the life of the option, the risk-free interest rate for the life of the option and forfeiture rate. Refer to note 15.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

5. 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.

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, 2022, is \$128,453 (\$522,612 as of July 31, 2021).

6. Property and equipment

	Leasehold improvements	Computer equipment	Furniture and fixtures	Vehicles	Total
--	------------------------	--------------------	------------------------	----------	-------

Cost

Balance at July 31, 2021	69,665	346,000	20,355	67,023	503,043
Additions	—	45,423	—	—	45,423
Disposal	—	—	—	(39,198)	(39,198)
Balance at July 31, 2022	69,665	391,423	20,355	27,825	509,268

Depreciation

Balance at July 31, 2021	61,281	275,777	18,409	27,788	383,255
Disposal	—	—	—	(15,634)	(15,634)
Depreciation for the year	7,829	25,297	1,280	7,937	42,343
Balance at July 31, 2022	69,110	301,074	19,689	20,091	409,965

Net carrying value

Balance at July 31, 2021	8,384	70,223	1,946	39,235	119,788
Balance at July 31, 2022	555	90,349	666	7,734	99,304

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

7. Intangible assets

	Training courses	Software	Web sites	Customer Relationship	Non-compete agreements	Technology Assets (2) (4)	Development costs (1) (3) (4)	Total
Cost								
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
Additions	—	—	—	—	—	—	2,640,323	2,640,323
Balance at July 31, 2022	91,236	1,594,859	171,862	2,478,998	1,074,999	4,000,000	5,080,300	14,492,254
Amortization								
Balance at July 31, 2021	91,236	1,590,213	123,962	1,172,199	1,074,999	—	—	4,052,609
Amortization for the year	—	4,646	28,967	243,196	—	—	—	276,809
Balance at July 31, 2022	91,236	1,594,859	152,929	1,415,395	1,074,999	—	—	4,329,418
Net carrying value								
Balance at July 31, 2021	—	4,646	47,900	1,306,799	—	4,000,000	2,439,977	7,799,322
Balance at July 31, 2022	—	—	18,933	1,063,603	—	4,000,000	5,080,300	10,162,836

- (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.
- (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 as of May 11, 2021. Refer to note 15 – shares capital and other components of equity.
- (3) Borrowing costs were capitalised during the year ended July 31, 2022, for a total amount of \$279,041 (\$- for the year ended July 31, 2021). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 39% (- % in 2021).

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

7. Intangible assets (continued)

- ⁽⁴⁾ Management concluded that the recoverable amount was higher than the carrying value as of July 31, 2022 and 2021, and no impairment was recognized within the Technology CGU. Key assumptions used in calculating the recoverable amount are outlined in the following:

	As at July 31, 2022	As at July 31, 2021
Terminal value growth rate	3.0%	3.0%
Discount rate	50.0%	28.1%
Five-year compound annual revenue growth rate	n/a	n/a
Four-year compound annual revenue growth rate	114.0%	19.8%

- ⁽⁵⁾ Customer relationships previously acquired in business combinations have a remaining amortisation period of 4.4 years as of July 31, 2022 (5.4 years as at July 31, 2021)

8. 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, 2022	1,697,153	4,613,708	6,310,861

Impairment

On an annual basis as of 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).

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

8. Goodwill (continued)

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.
- KEY ASSUMPTIONS USED IN CALCULATING THE RECOVERABLE AMOUNT FOR EACH CGU TESTED FOR IMPAIRMENT AS AT JULY 31, 2022 AND 2021 ARE OUTLINED IN THE FOLLOWING:

As at July 31, 2022	Pharmacy Services ⁽¹⁾	Pharmaceutical Solutions ⁽²⁾
Terminal value growth rate	2.0%	3.0%
Discount rate	22.0%	22.0%
Five-year compound annual revenue growth rate	2.0%	2.0%
Four-year compound annual revenue growth rate	n/a	n/a

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

8. Goodwill (continued)

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

⁽¹⁾ Pharmacy Services

As a result of the impairment test, management concluded that the recoverable amount was higher than the carrying value and no impairment was recognized within the Pharmacy Services CGU.

⁽²⁾ Pharmaceutical Solutions

As a result of the impairment test, management concluded that the recoverable amount was higher than the carrying value and no impairment was recognized within the Pharmaceutical Solutions CGU.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

9. Right of use of assets

	Rental lease	Other	Total
--	--------------	-------	-------

Gross book value

Balance at July 31, 2021	335,417	17,875	353,292
Additions	1,884,632	—	1,884,632
Balance at July 31, 2022	2,220,049	17,875	2,237,924

Depreciation

Balance at July 31, 2021	125,782	3,250	129,032
Depreciation for the year	302,775	3,250	306,025
Balance at July 31, 2022	428,557	6,500	435,057

Book Value

Balance at July 31, 2021	209,635	14,625	224,260
Balance at July 31, 2022	1,791,492	11,375	1,802,867

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

10. Bank indebtedness

As of July 31, 2022, the Corporation no longer has an operating credit facility.

For the year ended July 31, 2021, the Corporation had authorized operating credits totaling \$1,100,000, bearing interest at prime rate plus 3% per annum based on certain leverage ratios. The loan was secured by a first mortgage on the Corporation's present and future accounts receivable, tangible and intangible assets.

11. Trade and other payables

	At July 31, 2022	At July 31, 2021
Trade payables and accrued liabilities	2,695,428	2,058,097
Salaries and vacation payable	784,100	739,740
Indemnity to a former officer (note 27)	350,000	-
Sales tax payable	318,141	261,864
Dividend payable (note 24)	75,000	75,000
Total	4,222,669	3,134,701

12. Long-term debt

This note provides information about the contractual terms of the Corporation's interest-bearing long-term debt, which are measured at amortized cost, excepting the embedded derivative in the Promissory Notes, which is measured at fair value through profit and loss. The Corporation's exposure to interest rate and liquidity risk is disclosed in note 23.

On August 6, 2021, the Corporation closed a new term debt financing (the "Debt Financing") of up to \$7,000,000 with a private lending institution maturing on December 31, 2022. The Debt Financing consists in two separate loans of \$3,000,000 each and \$1,000,000 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.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

12. Long-term debt (continued)

	At July 31, 2022	At July 31, 2021
Promissory notes ⁽¹⁾ with a shareholder, secured by a second ranking hypothec on all present and future property of the Corporation, bearing interest at 9%, (maturing December 31, 2022, net of transaction costs of \$8,560 (\$25,418 as of July 31, 2021)	6,550,599	5,090,044
Loan from a private lending institution, bearing interest at 9.95%, secured by a first ranking hypothec on all present and future property of the Corporation, maturing on August 1, 2023, net of transaction costs of \$174,203 ⁽⁴⁾	5,124,403	-
Balance of purchase price, non-interest bearing, repayable by annual instalments of \$320,000, matured in August 2021 (note 27)	311,287	371,287
Convertible debentures ⁽²⁾ , bearing interest at 10%, unsecured maturing on June 23, 2023, net of transaction costs of \$10,305 (\$18,886 as of July 31, 2021)	689,339	634,460
Loan without interest, secured by the federal government, no instalments if reimbursement occur before December 31, 2023, the Corporation will receive a subvention of \$60,000 ⁽³⁾	117,567	111,957
Other loans, bearing interest at 7.74%, repayable by monthly instalments of \$472 and maturing in December 2025	16,962	57,252
Loan from a Canadian chartered bank (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 reimbursed on August 6, 2021	-	1,363,247
Subtotal	12,810,157	7,628,247
Less:		
Current portion due to breach of covenants	-	1,363,247
Current maturity of long-term debt	8,219,594	384,832
Total current portion	8,219,594	1,748,079
Total long-term debt portion	4,590,563	5,880,168

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

12. Long-term debt (continued)

- (1) 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.

A crediting factor is applicable on repayment which constitutes an embedded derivative requiring bifurcation (refer to note 14). The fair value of the prepayment option bifurcated from the Promissory note was a derivative asset with a nominal value of \$ - as at July 31, 2022 (\$879,225 as at July 31, 2021) and is presented net of the current portion of the long-term debt.

The change in the carrying value of the Promissory Notes was as follows:

	\$
Balance at July 31, 2021	5,090,044
Change in fair value	615,294
Accreted interest	290,479
Accrued interest	554,782
Balance at July 31, 2022	6,550,599

- (2) 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.
- (3) If the loan is not repaid in full by December 31, 2023, 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.
- (4) As at July 31, 2022, the Corporation was in compliance of both of its financial covenant under the Loan from a private lending institution

Principal payments

	At July 31, 2022	At July 31, 2021
Less than 1 year	8,415,470	1,748,079
Between 1 and 5 years	4,590,561	5,924,472
Total amounts payable	13,006,031	7,672,551
Less: Financing fees	(195,874)	(44,304)
Total	12,810,157	7,628,247

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

12. Long-term debt (continued)

Assets pledged as securities

	At July 31, 2022	At July 31, 2021
Cash	2,737,141	1,717,150
Trade receivables	5,044,522	3,726,008
Inventories	-	55,314
Prepaid expenses	96,911	97,854
Income taxes receivable	-	17,657
Advances receivable	-	228,156
Loans receivable from shareholders, without interest	3,080	3,080
Property and equipment	99,304	119,788
Intangible assets	10,162,836	7,799,322

13. Lease Liabilities

	Rental lease	Other	Total
Gross book value			
Balance at July 31, 2021	232,235	15,078	247,313
Additions	1,884,631	-	1,884,631
Payments	(337,500)	(3,891)	(341,391)
Accreted interest	62,862	908	63,770
Balance at July 31, 2022	1,842,228	12,095	1,854,323
Balance at July 31, 2022			
Short-term portion	287,226	3,181	290,408
Long-term portion	1,555,002	8,914	1,563,915

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

13. Lease Liabilities (continued)

Maturities on lease liabilities are the following:

	Rental lease	Other	Total
Less than 1 year	287,226	3,182	209,408
Between 1 and 5 years	1,249,439	8,913	1,258,352
More than 5 years	305,563	-	305,563
Total	1,842,228	12,095	1,854,323

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 (\$6,000 in 2021) and Nil (\$20,000 in 2021), respectively.

14. Preferred shares

On June 30, 2021, the Corporation entered into an agreement with the holders of the series A Preferred Shares. Under this agreement, series A were cancelled, and series B-1 and B-2 were created. The interest payable was added to the principal of the Preferred Shares and a portion was added to the Promissory Notes (note 12). They bear a 9% interest on an annual basis and the maturity date is December 31, 2022.

Series A

	Preferred shares-host	Liability Component		Equity
		Conversion Option	Total	Warrants ⁽¹⁾
Carrying Value				
Balance at July 31, 2020	9,646,835	—	9,646,835	21,802
Accrued interest	2,310,982	—	2,310,982	—
Unrealized gain on Preferred shares settlement	(4,321,722)	—	(4,321,722)	—
	7,636,095	—	7,636,095	
Transfer to Series B	(4,101,233)	—	(4,101,233)	—
Transfer to Promissory Notes	(3,534,862)	—	(3,534,862)	—
Balance at July 31, 2021	—	—	—	21,082

¹⁾ These warrants expired on October 20, 2021 and were reclassified as contributed surplus.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

14. Preferred shares (continued)

Series B ⁽¹⁾

	\$
Balance at July 31, 2020	-
Transfer from Series A	4,101,233
Financing fees	(20,230)
Accreted interest	10,218
Balance at July 31, 2021	4,091,221
Change in fair value	1,842,681
Accreted interest	1,320,165
Accrued interest	619,814
Balance at July 31, 2022	7,873,881

⁽¹⁾ The Corporation has authorized an unlimited number of Series B preferred shares. However, no issuance of new or existing Preferred Shares can be made without the consent of two thirds of the then outstanding Series B Preferred Shares.

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 (expired)	2.50x
From January 1, 2022 to June 30, 2022 (expired)	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. The carrying value of the Promissory Notes and repurchase of the Preferred Shares includes assumptions regarding the estimated timing of payments. As a result of changes in the assumptions regarding the timing of the payments, losses of \$2,457,975 were recorded in the year ended July 31, 2022 (\$ - were recorded in the year ended July 31, 2021, as no changes in assumptions were made since issuance).

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.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

14. Preferred shares (continued)

The nominal value of the Preferred Shares amount is \$ 7,506,633 as at July 31, 2022 (\$6,886,819 as at July 31, 2021). There is no conversion option. The crediting factor is applicable on repayment which constitutes an embedded derivative requiring bifurcation (refer to Note 15). The fair value of the prepayment option bifurcated from the Serie B Preferred Shares was a derivative asset with a nominal value of \$ - as at July 31, 2022 (\$3,089,797 as at July 31, 2021) and is presented net of the current portion of the Preferred Shares. 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.

15. Share capital and other components of equity

SHARE CAPITAL

The Corporation's share capital consists only of 148,140,947 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.

For the year ended July 31, 2022, 100,000 common stocks of KDA were issued following the exercise of 100,000 options granted to a consultant at \$0.25. 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.

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. At that date, the Corporation rebutted the presumption from IFRS 2 Share-based payments that the goods received could be estimated reliably, since no recent observable market data or additional information were available. The Corporation measured the ZRx Prescriber, with the corresponding increase in equity, indirectly, by reference to the fair value of the shares issued. Refer to note 7 – Intangible assets. As at July 31, 2022, 5,000,000 of these shares were held in escrow and will be released on May 10, 2023.

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

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

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

SHARE CAPITAL (continued)

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, 2022, 500,000 common shares at \$0.16 per share were issued in relation with this RCS plan. Those shares were evaluated at fair value at that date and were recorded as share-based compensation for total of \$80,000. During the year ended July 31, 2022, previously issued RCS were cancelled considering the retention condition was not respected and resulted, in accordance with IFRS 2, in a reversal of the share-based compensation previously incurred for issued, non vested, RCS. The total share-based compensation for RCS for the year ended July 31, 2022, was negative \$119,664 (expense of \$328,680 for the year ended July 31, 2021) and 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, 2022.

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

CONTRIBUTED SURPLUS

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

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

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

WARRANTS

On August 6, 2021, 3,000,000 financing warrants were issued to a private lending institution at an exercise price of \$0.14. Each warrant entitles its holder to purchase one common share at a price of \$0.14 per share until the second-year anniversary of their issuance. The fair value of those financing warrants was \$131,615 and was calculated using the Black-Scholes pricing model with the following assumptions:

Risk free interest rate	0.42%
Expected volatility	75.86%
Dividend yield	NIL
Expected life	2 years
Grant date fair value	\$0.04387

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 based on the relative fair values using the Black-Scholes pricing model with the following assumptions:

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

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

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

WARRANTS (continued)

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.

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

	Number of warrants	Weighted average exercisable price
Balance, at July 31, 2021	43,178,904	0.37
Issuance	3,067,550	0.14
Expired	(25,386,454)	0.42
Balance, at July 31, 2022	20,860,000	0.29

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

Exercise price	July 31, 2022		July 31, 2021	
	Expiry date	Number	Expiry date	Number
0.40	October 22, 2022	9,860,000	October 22, 2022	9,860,000
0.20	-	-	November 7, 2022	13,890,333
0.69	-	-	October 20, 2022	11,428,571
0.20	November 24, 2022	8,000,000	November 24, 2022	8,000,000
0.14	August 6, 2023	3,000,000	-	-
		20,860,000		43,178,904

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

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

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 (25,284,189 options as of July 31, 2021). 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 May 6, 2022, 5,025,000 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	2.58%
Expected volatility	98.68%
Dividend yield	NIL
Expected life	5 years
Grant date fair value	\$0.0733

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

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

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

STOCK OPTION PLAN (continued)

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

	July 31, 2022		July 31, 2021	
	Number of options	Weighted average	Number of options	Weighted average
Balance, at beginning of the year	11,530,000	0.21	4,860,000	0.29
Issuance	5,025,000	0.15	7,000,000	0.18
Expired	(336,667)	0.22	-	-
Cancelled	(500,000)	0.18	(330,000)	0.25
Exercised	(100,000)	0.25	-	-
Balance, at end of the year	15,588,333	0.19	11,530,000	0.21

THE FOLLOWING TABLE SUMMARIZES INFORMATION ABOUT STOCK OPTIONS OUTSTANDING AND EXERCISABLE AT JULY 31, 2022:

Exercise price	Number of options	Options outstanding	Options exercisable
		Weighted average remaining contractual life (in years)	Number of options
0.15	5,025,000	4.8	1,674,997
0.18	6,333,333	3.5	4,333,338
0.25	550,000	0.5	550,000
0.25	880,000	1.6	880,000
0.25	2,300,000	1.8	2,300,000
0.30	500,000	2.3	500,000
0.19	15,588,333	3.4	10,238,335

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

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

STOCK OPTION PLAN (continued)

Of the options outstanding as of July 31, 2022, a total of 6,250,000 (July 31, 2021 – 5,200,000) 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 and restricted common shares plan for the year ended July 31, 2022, is \$283,700 (\$880,612 in 2021).

16. Revenues

	2022	2021
Pharmacy services	14,256,188	13,165,003
Pharmaceutical solutions	14,360,408	11,134,944
Pharmaceutical technology	207,085	-
Others	8	68,750
Total	28,823,689	24,368,697

17. Cost of revenues

Cost of revenues includes compensation and related employee benefits for a total amount of \$14,299,726 (\$11,818,201 in 2021).

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

18. Selling and administrative expenses

	2022	2021
Salaries and fringe benefits	2,373,721	1,797,721
Professional fees	2,139,356	1,833,875
Travel, meals and entertainment	186,443	27,275
Supplies and office expenses	785,927	338,587
Telecommunications	92,897	76,541
Regulatory and filing fees	28,873	71,142
Rental fees	45,140	48,949
Other	35,614	14,377
Sub-total	5,687,971	4,208,467
Share-based compensation	283,700	880,613
Write-down of advances receivables	280,752	200,843
Total	6,252,423	5,289,923

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

19. Accreted interest

	2022	2021
Lease liabilities	63,770	9,815
Convertible debentures	54,879	4,107
Promissory Note	290,479	-
Preferred shares	1,320,165	-
Loan from private institution	83,925	-
Others	11,797	291
Total	1,825,015	14,213

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

20. 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% (2021 – 26.50%). The reason for the difference and the related tax effects are as follows:

	At July 31, 2022	At July 31, 2021
Net loss before income taxes	(4,646,324)	341,869
Statutory income tax rate	26,50%	26,50%
Expected income tax recovery	(1,231,275)	90,595
Adjustments:		
Non-deductible expenses	518,694	241,057
Non-deductible provisions	686,496	-
Loss on disposal of investments	(1,706)	265,205
Non-capital losses not tax effected	-	3,951
Non-taxable revenues	-	(1,157,017)
Others	(56,205)	12,718
Income tax recovery	(83,996)	(543,491)

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

20. 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, 2022	At July 31, 2021 ⁽¹⁾
Deferred tax assets		
Net operating losses carried forward	824,276	600,538
Financial expenses	1,123,974	881,988
Non-deductible provision	461,021	416,153
	2,409,271	1,898,679
Deferred tax liabilities		
Carrying value of intangibles assets in excess of tax basis	262,058	328,662
Tax basis of capital assets in excess of carrying value	12,201	7,114
	274,260	335,776

⁽¹⁾ The Corporation reviewed the classification of the components of its deferred tax assets for the year ended July 31, 2021. In 2021, a temporary difference was included in the net operating loss carried forward. Therefore, no restatement was needed since there was no impact on the deferred income recovery and deferred tax assets.

As of July 31, 2022, the Corporation had non-capital losses of \$4,076,070 (2021 - \$5,943,564). Of these non-capital losses, \$965,597 was not recognized. These unrecognized non-capital losses will expire gradually between 2029 and 2042. As of July 31, 2022, the Corporation had capital losses of \$12,169,942 (2021 - \$12,169,942) for which no deferred tax benefit has been recorded.

21. Profit (loss) per share

The calculation of basic net profit (loss) per share was based on the net profit (loss) attributable to Class A common shares of a net loss of \$4,562,328 (net profit of \$561,504 in 2021) and a weighted average number of Class A common shares of 148,016,289 (126 394 358 as at July 31, 2021).

The effect of potential issuances of shares under stock options, warrants and preferred shares would be non-dilutive for the year ended July 31, 2022. For the year ended July 31, 2021, 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.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

22. 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.

INFORMATION PERTAINING TO EACH SEGMENT FOR THE YEAR ENDED JULY 31:
(Stated in thousands of dollars)

	Pharmacy Services		Pharmaceutical Solutions		Pharmaceutical Technology		Corporate and others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021

Operating

Revenues	14,256	13,165	14,361	11,135	207	-	-	69	28,824	24,369
Income (loss)	2,122	2,562	3,374	3,108	(152)	(1)	(3,535)	(3,759)	1,809	1,910

Assets acquisitions

Property and equipment	-	7	45	39	-	-	-	2	45	48
Intangibles	-	11	-	-	2,640	6,440	-	-	2,640	6,451

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

23. 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, 2022	At July 31, 2021
Cash and cash equivalents	2,737,141	1,717,150
Trade receivables	5,044,522	3,726,008
Advances receivable	-	228,156
Loans receivable from shareholders, without interest	3,080	3,080
Bank indebtedness	-	980,000
Trade and other payables (excluding indemnity to a former officer and sales tax payable)	3,554,528	2,872,837
Due to third-party	128,453	522,612
Due to shareholders, without interest	-	100,561
Long-term debt	12,810,157	7,628,247
Lease liabilities	1,854,323	247,313
Preferred shares	7,873,881	4,091,221

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.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

23. Financial instruments and financial risks management (continued)

FAIR VALUE (continued)

The carrying value of the Corporation's financial instruments approximates their fair value, except for the following:

	At July 31, 2022	At July 31, 2021
Long-term debt (including short-term portion)	13,006,031	7,672,551
Preferred shares	7,879,333	4,111,451

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

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).

During the years ended July 31, 2022 and 2021, all financial instruments of the Corporation, excluding the embedded derivative, were considered a Level 2 financial instruments. The prepayment option that allows the Corporation to make prepayments against the Promissory Notes and repurchase of Serie B Preferred Shares at any time was considered a Level 3 financial instrument.

The Corporation's policy is to recognize transfers between the different hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

23. Financial instruments and financial risks management (continued)

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 consolidated 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.

(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 95% (July 31, 2021 – 88%) of the Corporation's trade receivables are not past due or 30 days or less past due.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

23. Financial instruments and financial risks management (continued)

IMPAIRMENT LOSSES

THE AGING OF TRADE RECEIVABLES AT THE REPORTING DATE WAS:

	At July 31, 2022		At July 31, 2021	
		Impairment		Impairment
Not past due	4,311,183	—	2,217,439	—
Past due 1 - 30 days	482,082	—	1,043,185	—
Past due 31 - 60 days	149,297	—	427,975	—
Past due more than 60 days	101,960	—	37,409	—
Total	5,044,522	—	3,726,008	—

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.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

23. Financial instruments and financial risks management (continued)

RISK MANAGEMENT FRAMEWORK (continued)

(b) Liquidity risk (continued)

THE FOLLOWING ARE THE CONTRACTUAL MATURITIES OF THE FINANCIAL LIABILITIES:

	Less than 1 year	Between 1 and 5 years	More than 5 years
Trade and other payables (excluding indemnity to a former officer and sales tax payable)	3,554,528	-	-
Due to third-party	128,453	-	-
Preferred shares ⁽¹⁾	7,506,633	-	-
Promissory notes ⁽¹⁾	6,550,599	-	-
Other Long-term debt	1,864,871	4,590,561	-
Lease liabilities	345,141	1,379,729	310,625
Total	19,950,225	5,970,290	310,625

- (1) As the maturity date of promissory notes and preferred shares is December 31, 2022, both were reclassified under current liabilities. The Corporation is negotiating repayment terms with the shareholder holding this financing.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

23. Financial instruments and financial risks management (continued)

RISK MANAGEMENT FRAMEWORK (continued)

(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 and cash equivalents	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
Preferred shares	Fixed interest rates

A variation of 1% of the variable interest rates would not have a result in a significant impact on the Corporation's net profit (loss) for the years ended July 31, 2022, and 2021.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

23. 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 year.

24. 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:

	2022	2021
Professional fees ⁽¹⁾	707,118	459,241
Compensation ⁽²⁾	1,022,626	973,655
Share-based compensation ⁽³⁾	135,788	193,590

⁽¹⁾ An amount of \$68,000 (\$150,000 in 2021) was capitalized in the development costs (note 7)

⁽²⁾ A provision for an amount of \$350,000 (NIL in 2021) is included as a termination payment. Refer to note 11 and 27.

⁽³⁾ Exclude share-based compensation relating to RCS issued to executives (note 16)

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

24. Related party transactions (continued)

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

	At July 31, 2022	At July 31, 2021
Trade and other payables	365,553	419,875
Dividend payable ⁽¹⁾	75,000	75,000

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

25. Changes in non-cash working capital and non-cash transactions

	At July 31, 2022	At July 31, 2021
Trade receivables	(1,318,514)	(56,648)
Inventories	-	37,226
Income taxes receivable	(461,871)	86,383
Prepaid expenses	943	(37,491)
Loans receivable	-	1,804
Trade and other payables	836,454	768,205
Due to a third party	(394,159)	(571,291)
Deferred revenues	890,598	566,953
Income taxes payable	(438,003)	(57,736)
Total	(884,552)	737,405

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

25. Changes in non-cash working capital and non-cash transactions (continued)

Non-cash transactions

July 31, 2022

In August 2021, financing warrants were issued as financing fees for the new loan from a private lending institution and were recorded as issuance cost. This non-cash transaction was recorded at \$131,616.

On August 1, 2021, the Corporation signed a lease agreement that was accounted under IFRS 16. This non-cash transaction resulted in an increase of right of use assets as well as a new lease liability that was initially recorded at fair value for a total of \$1,884,631.

Finally, for the year ended July 31, 2022, in accordance with IAS 23, the Corporation capitalized borrowing costs for a total amount of \$279,041. Out of this total amount, \$57,134 was accreted interest and is therefore considered a non-cash transaction.

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. Refer to note 15.

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. Refer to note 14.

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

26. 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 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. Management estimates that CNM won’t conclude sales in a foreseeable future, and thereof, no royalties are expected. Since the Corporation has no reasonable expectations of recovering its advances receivables, a write-off of the gross carrying amount of \$2,881,409 was recorded in loss in the year ended July 31, 2021. The carrying values of assets and liabilities as of June 11, 2021, the date of the transaction are summarized below:

At June 11, 2021	\$
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)

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

26. Discontinued operations (continued)

Statements of loss and comprehensive loss for discontinued operations

For the year ended July 31, 2021	\$
Revenues	10,000
Selling and administrative expenses	55,015
Loss before depreciation, amortization, net finance costs and income taxes	(45,015)
Depreciation of right of use of assets	203,108
Operating loss before following:	(248,123)
Net finance costs	75,704
Net loss from discontinued operations	(323,827)

Net cash flow used in discontinued operations

For the year ended July 31, 2021	\$
Cash used by operating activities	(150,138)
Cash provided by investing activities	(121,685)
Cash flow provided by financing activities	249,965
Net cash flows used in Discontinued operations	(21,858)

KDA GROUP INC.

Notes to the Consolidated Financial Statements
For the years ended July 31, 2022 and 2021

27. Contingencies

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. Also, a claim totalling \$382,879 regarding a service agreement has been issued to PPR by the seller. The outcome of any further action on these matters is currently indeterminable. No adjustments have been reflected in the consolidated financial statements.

On September 10, 2021, the Corporation received a letter of formal notice claiming contractual indemnity from a former officer. As of July 31, 2022, the formal notice is totalling \$760,000. Management is in discussion to settle this matter, but it believes the maximum liability would amount to approximately \$350,000, which was recorded in the year ended July 31, 2022 (note 11).

On September 21, 2022, the Corporation received an Originating application claiming contractual indemnity from a former officer, totalling \$723,191, and a request for the issuance of 1,000,000 Class A shares. On October 24, 2022, the Corporation send an Originating application to the former officer requesting an amount of approximately \$474,200.

On September 21, 2022, the Corporation received an Originating application claiming unpaid balance totalling \$705,677, relating to a share purchase agreement. A balance of \$311,287 is recorded as of July 31, 2022 (note 12).

No additional adjustments have been reflected in the consolidated financial statements regarding these contingencies considering the uncertainties of the outcome.

28. Subsequent events

On September 28, 2022 and October 11, 2022, the Corporation's received two (2) unsolicited letters of intent (LOI) regarding the purchase of each of the Pharmacy Services and Pharmaceutical Solutions UGT. Both LOI were non-binding and included several conditions that currently have not been fulfilled.

29. Comparative figures

Certain prior year figures have been classified to make their presentation identical to that adopted in 2022. These reclassifications had no effect on the reported result of operations.