CanaQuest Medical Corporation

Annual (unaudited)
Consolidated Financial Statements
March 31, 2024

June 26, 2024

CanaQuest Medical Corporation
Consolidated Annual Balance Sheets
Stated in Canadian Dollars
(Unaudited)

	March 31, 2024		March 31, 2023	
Assets				
Current assets:				
Cash and cash equivalents	**$**	**78**	$	4,098
Accounts receivable, net		**23,226**		4,918
Prepaid manufacturing costs		**-**		25,015
Prepaid expenses		**189,107**		84,133
Total current assets		**212,411**		118,164
Equipment and leasehold improvements, net		**2,483**		22,849
Total assets	**$**	**214,894**	$	141,013
Liabilities and Stockholders' Deficiency				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**786,169**	$	377,822
Advances related parties		**159,437**		89,573
Term loans		**375,809**		635,345
Warrant derivative liabilities		**171**		45,446
Total current liabilities		**1,321,586**		1,148,186
Going Concern				
Commitments and Contingencies				
Stockholders' Deficiency:				
Common stock; no par value; unlimited shares authorized; 21,211,377 shares issued and outstanding at March 31, 2024 and (March 31, 2023 - 20,656,377), respectively		**6,146,896**		5,898,908
Additional paid-in capital		**4,645,852**		3,921,559
Equity to be issued		**835,918**		521,885
Accumulated deficiency		**(12,735,358)**		(11,349,525)
Total stockholders' deficiency		**(1,106,692)**		(1,007,173)
Total liabilities and stockholders' deficiency	**$**	**214,894**	$	141,013

See accompanying notes

CanaQuest Medical Corporation
Consolidated Annual Statements of Operations
Stated in Canadian Dollars
(Unaudited)

	For the Year Ended March 31,	
	2024	2023
Revenue	**$ 33,858**	$ -
Operating costs:		
Application and membership fees	**10,069**	9,205
Business development	**39,284**	76,459
Clinical study	**286,187**	-
Deferred share units issued for compensation	**690,280**	380,501
Depreciation	**20,366**	5,382
Exchange	**-**	10,763
Interest	**26,454**	17,205
Management fee	**8,900**	65,500
Occupancy	**52,907**	48,503
Office	**8,804**	12,790
Professional fees	**74,706**	83,413
Research and development	**41,638**	31,100
Stock-based compensation	**137,151**	80,970
Telephone and internet	**15,655**	34,426
Travel	**11,415**	29,483
Total operating expenses	**1,423,816**	885,700
Loss from operations	**(1,389,958)**	(885,700)
Other income (expense):		
Change in fair value of warrant derivative liability	**45,275**	97,442
Interest expense	**(41,150)**	(44,565)
Total other income (expense)	**4,125**	52,877
Net loss for the year	**$ (1,385,833)**	$ (832,823)
Net loss per share - basic and diluted	**$ (0.07)**	$ (0.04)
Weighted average number of common shares outstanding - basic and diluted	**21,211,377**	20,656,377

See accompanying notes

CanaQuest Medical Corporation
Consolidated Annual Statement of Stockholders' Deficiency
Stated in Canadian Dollars
(Unaudited)

	Common Shares	Common Stock	Additional Paid-in Capital	Equity to be Issued	Accumulated Deficit	Total Stockholders' Deficiency
Balance, March 31, 2022	20,656,377	5,898,908	3,460,088	299,933	(10,516,702)	(857,773)
Stock-based compensation			80,970			80,970
Equity to be issued				221,952		221,952
Deferred share units issued for						-
compensation			380,501			380,501
Net Loss for the year					(832,823)	(832,823)
Balance, March 31, 2023	20,656,377	5,898,908	3,921,559	521,885	(11,349,525)	(1,007,173)
Stock-based compensation			**137,151**			**137,151**
Deferred share units issued for						
compensation			**690,280**			**690,280**
Equity issued	**555,000**	**247,988**	**(103,138)**			**144,850**
Equity to be issued				**314,033**		**314,033**
Net Loss for the year					**(1,385,833)**	**(1,385,833)**
Balance, March 31, 2024	**21,211,377**	**$6,146,896**	**$4,645,852**	**$ 835,918**	**$(12,735,358)**	**$ (1,106,692)**

See accompanying notes

CanaQuest Medical Corporation
Consolidated annual Statements of Cash Flows
Stated in Canadian Dollars
(Unaudited)

	Year ended March 31, 2024	Year ended March 31, 2023
Cash Flows from Operating Activities:		
Net loss for the year	**$ (1,385,833)**	$ (832,823)
Adjustments to reconcile net loss to net cash used in operating activities		
Non-cash interest	**45,275**	44,565
Depreciation	**20,366**	5,382
Stock-based compensation	**137,151**	80,970
Deferred share units issued for compensation	**690,280**	380,501
Change in fair value of warrant derivative liability	**(45,275)**	(97,442)
Change in operating assets and liabilities:		
Prepaid expenses	**(104,974)**	(71,674)
Prepaid manufacturing costs	**25,015**	1,534
Accounts receivable	**(18,308)**	(2,646)
Accounts payable and accrued expenses	**363,072**	3,629
Net cash used in operating activities	**(273,231)**	(488,004)
Investing Activities		
Purchase of equipment	**-**	(2,999)
Cash Flows from Financing Activities:		
Advances from related parties	**316,795**	254,655
Repayment to related parties	**(246,931)**	(205,557)
Stock options exercised for common shares	**144,850**	-
Shares issued and to be issued	**314,033**	221,952
Conversion of convertible loans	**(259,536)**	(60,440)
Term Loan - Sam Hancock	**-**	27,306
Term Loan - St. Louis Growth Fund	**-**	41,013
Term Loan - Vital Link Financial Services	**-**	78,996
Term Loan - Vital Link Financial Services	**-**	51,304
Term Loan - Vital Link Financial Services	**-**	65,190
Net cash provided (used in) by financing activities	**269,211**	474,419
Net change in cash and cash equivalents	**(4,020)**	(16,584)
Cash and cash equivalents, beginning of year	**4,098**	20,682
Cash and cash equivalents, end of year	**$ 78**	$ 4,098
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest paid	**$ 26,454**	$ 17,205
Income taxes paid	**$ -**	$ -
NON-CASH FINANCING ACTIVITIES		
Common stock to be cancelled	**$ -**	$ -
Common stock issued to settle equity to be issued	**$ -**	$ -
Common stock issued for settlement of convertible notes and interest	**$ -**	$ -

See accompanying notes

1) Nature of the Business and Going Concern

CanaQuest Medical Corporation (the "Company") was incorporated under the Canada Business Corporations Act on October 7, 2008. On January 30, 2019, the Company amended its Articles of Incorporation to change its name to CanaQuest Medical Corporation. The Company has a wholly owned subsidiary ADC BioMedical Corp which is incorporated into the unaudited consolidated annual financial statements.

The Company has conducted research through sponsored research agreements with two universities to support development of health products utilizing cannabis and algae oil. The Company's planned principal operations are the development and sale of pharmaceutical drugs and medical cannabis medications as approved by the regulatory authorities.

The Company's activities are subject to significant risks and uncertainties, including failing to obtain patents and failing to secure additional funding to operationalize the Company's current technology before another company develops similar technology.

These unaudited consolidated annual financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company is in the development stage and has not yet realized profitable operations and has relied on non-operational sources to fund operations. The Company has suffered recurring losses and additional future losses are anticipated as the Company has not yet been able to generate revenue. In addition, as of March 31, 2024, the Company has a working capital deficiency of $1,109,175 and an accumulated deficit of $12,735,358. The Company's ability to continue as a going concern is dependent on successfully executing its business plan, which includes the raising of additional funds. The Company will continue to seek additional forms of debt or equity financing, but it cannot provide assurances that it will be successful in doing so. These circumstances raise substantial doubt as to the ability of the Company to meet its obligations as they come due and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Such adjustments could be material.

2) Presentation of Financial Statements

Basis of Presentation

The unaudited consolidated annual financial statements of the Company for the period ended March 31, 2024, and 2023 have been prepared in accordance with accounting principles generally accepted in the United States of America for financial information. However, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for the fair presentation of the financial position and the results of operations. The balance sheet information as of March 31, 2024, was derived from the audited financial statements included in the Company's financial statements as of and for the fiscal year ended March 31, 2018, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on January 30, 2019. These financial statements should be read in conjunction with that report.

Estimates

The preparation of the financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could materially differ from these estimates. The significant areas requiring the use of management estimates are related to accrued liabilities, contingencies, stock-based compensation, warrants, convertible debt, and valuation of derivative liabilities. Although these estimates are based on management's knowledge of current events and actions management may undertake in the future, actual results may ultimately differ materially from those estimates.

3.) Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, and all highly liquid debt instruments purchased with an original maturity of three months or less. As at, March 31, 2024, and 2023, there were no cash equivalents.

Prepaid Expenses

Prepaid expenses consist of services paid, for which the Company has not yet received the benefit.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of an asset is derecognized when replaced.

Repairs and maintenance costs are charged to the consolidated annual statements of operations, during the year in which they are incurred.

Depreciation is provided for over the estimated useful life of the asset as follows:

Computer equipment	30% on a declining balance
Production equipment	20% on a declining balance

Leasehold improvements are amortized over the term of the lease or useful life of the improvements. At present, all of the initial leasehold improvements have been amortized during the period of the initial lease.

Useful lives and residual values are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The cost and accumulated depreciation of assets retired or sold are removed from the respective accounts and any gain or loss is recognized in operations.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events and circumstances indicate that the carrying value of an asset might not be recoverable. An impairment loss, measured as the amount by which the carrying amount exceeds the fair value, is recognized if the carrying amount exceeds estimated undiscounted future cash flows.

Research and Development

Research and development costs include costs directly attributable to the conduct of research and development programs, including the cost of consulting fees, materials, supplies, and the maintenance of research equipment. All costs associated with research and development are expensed as incurred. The approved refundable portion of tax credits are netted against the related expenses. Non-refundable investment tax credits are recorded in the period when reasonable assurance exists that the Company has complied with the terms and conditions required for approval of the tax credit and it is more likely than not that the Company will realize the benefits of these tax credits against the deferred taxes. Refundable investment tax credits are recorded in the period when reasonable assurance exists that the Company has complied with the terms and conditions required for approval of the tax credit and it is more likely than not that the Company will collect it.

Stock-based Compensation

The Company uses the fair value-based method of accounting for all its stock-based compensation in accordance with FASB Accounting Standards Codification ("ASC") ASC 718 "Compensation – Stock Compensation". The estimated fair value of the options and warrants that are ultimately expected to vest based on performance related conditions, as well as the options and warrants that are expected to vest based on future service, is recorded over the instrument's requisite service period, and charged to stock-based compensation. In determining the amount, of options and warrants that are expected to vest, the Company considers, voluntary termination behavior as well as trends of actual option and warrant forfeitures. Stock options and warrants which are indexed to a factor which is not a market, performance, or service condition, in addition to the Company's share price, are classified as liabilities and re-measured at each reporting date based on the Black-Scholes option pricing model with a charge to operations, until the date of settlement.

Income Taxes

Income taxes are accounted for under the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax liabilities and assets are recognized for the estimated future tax consequences attributable to differences between the amounts reported in the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted income tax rates expected to apply when the asset is realized, or the liability is settled. The effect of a change in income tax rates on deferred tax liabilities and assets is recognized in income in the period in which the change occurs. Deferred tax assets are recognized to the extent that they are considered more likely than not to be realized.

FASB issued ASC 740-10 "Accounting for Uncertainty in Income Taxes". ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This standard requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements.

Fair Value of Financial Instruments

ASC 820 "Fair Value Measurement" defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities,
Level 2 – inputs other than quoted prices that are observable for the asset or liability or indirectly; and
Level 3 – inputs that are not based on observable market data.

The carrying amounts of the Company's financial instruments including cash, amounts receivable, accounts payable and accrued liabilities, promissory note, term loan, convertible notes and advances from shareholders and related parties approximate their fair values due to their short-term nature. Management is of the opinion that the Company is not exposed to significant interest, credit, or currency risks from these financial instruments.

The Company's equity-linked financial instruments reflected as warrant liability on the balance sheet represent financial liabilities classified as Level 3 as per ASU 2009-05. As required by the guidance, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The fair values of the warrant liability and derivative liability which are not traded in an active market have been determined using an option pricing model based on assumptions that are not supported by observable market conditions.

Derivative Financial Instruments

The Company evaluates its agreements to determine if the financial instruments have derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated annual statements of operations. For stock-based derivative financial instruments, the Company uses an option pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether-or-not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Foreign Currency Transactions and Translation

Monetary assets and liabilities are translated into Canadian dollars, which is the functional currency of the Company, at the year-end exchange rate, while foreign currency expenses are translated at the exchange rate in effect on the date of the transaction. The resultant gains or losses are included in the statement of operations. Non-monetary items are translated at historical rates.

(Stated in Canadian Dollars)

Loss per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method and reflects the potential dilution of securities by including warrants and contingently issuable shares, if any, in the weighted average number of common shares outstanding for a period, if dilutive. In a loss year, dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Accordingly, for the period ended March 31, 2024, and 2023, the basic loss per share was equal to diluted loss per share as there were no dilutive securities.

As of March 31, 2024, and March 31, 2023, we excluded the outstanding securities summarized below, which entitle the holders thereof to acquire shares of common stock as their effect would have been anti-dilutive:

	March 31, 2024	March 31, 2023
Common stock issuable upon conversion of convertible notes and settlement of warrants	3,542,763	3,983,431
Common stock issuable to satisfy equity to be issued obligations	2,070,970	1,239,361
Common stock issuable to satisfy exercisable stock option obligations	2,435,000	2,210,000
Common stock issuable to settle deferred stock units	10,999,855	9,523,840
Total	19,048,588	16,956,632

Comprehensive Income (Loss)

ASC 220 “Comprehensive Income” establishes standards for reporting and display of comprehensive income, its components, and accumulated balances. The net loss is equivalent to the comprehensive loss for the periods presented.

(Stated in Canadian Dollars)

4) Equipment and Leasehold Improvements

	March 31, 2024		March 31, 2023	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Computer equipment	$ 8,458	$ 5,709	$ 5,458	$ 4,911
Production equipment	83,530	83,530	83,530	64,228
Leasehold improvements	42,290	42,290	42,290	42,290
Total	$ 134,278	$ 131,795	$ 131,278	$ 131,429
Net carrying amount		$ 2,483		$ 22,849

During the year ended March 31, 2024, the Company recorded total amortization of $20,366 and (2023 - $5,382), respectively on the consolidated statements of operations.

5) Summarized Schedule of Term loans

Schedule of Term Loans

Holder of Term Loan	Interest Rate	Maturity	**March 31, 2024**	March 31, 2023
i.) Related party	Nil	not specified	**$ 52,000**	$ 52,000
ii.) Government of Canada	Nil	Thursday, December 31, 2026	**60,000**	60,000
iii.) Vital Link Financial Services	10%	Thursday, April 20, 2023	**-**	75,115
iv.) Vital Link Financial Services	10%	Thursday, September 28, 2023	**-**	78,616
v.) Vital Link Financial Services	10%	Saturday, February 24, 2024	**-**	75,805
vi.) Vital Link Financial Services	10%	Friday, May 24, 2024	**51,304**	51,304
vii.) Juanita Montalvo	10%	Friday, August 18, 2023	**-**	30,000
viii.) Clarence Group	10%	Friday, July 5, 2024	**65,190**	65,190
ix.) Vital Link Financial Services	10%	Sunday, September 1, 2024	**78,996**	78,996
x.) Sam Hancock	10%	Friday, December 20, 2024	**27,306**	27,306
xi.) Growth St. Louis Fund	10%	Sunday, March 23, 2025	**41,013**	41,013
Total			**$ 375,809**	$ 635,345

i.) Related party term loan issued May 4, 2016 - $52,000

The Company issued a term loan (“Loan”) for bridge financing to a sibling of one of the officers (“Holder”) of the Company. The issue price of the Loan is $40,000 with a face value of $52,000. The Loan is unsecured, non-interest bearing and has a maturity date of August 28, 2016. The $12,000 Loan premium was recorded in accordance with the interest rate method from the issue date to the original maturity date. After issue of the loan, the Holder agreed to extend the maturity date of the Loan to November 30, 2016, followed by a second extension to February 28, 2017, followed by a further extension to November 30, 2017, and followed by a further indefinite extension until the Company has the appropriate liquidity to repay the face value of the Loan. Otherwise, the terms of the loan are unchanged. During the year ended March 31, 2024, the Company recorded amortization of debt discount of $Nil (2023 $Nil) on the consolidated annual statements of operations.

ii.) Government of Canada term loan - $60,000

On April 22, 2020, the Company was issued an initial term loan (“Loan”) of $40,000 and on August 12, 2021, an expansion of the term loan made in the amount of $20,000 for a total of $60,000 for operating cash purposes by the Government of Canada under a program established as a response to the COVID-19 pandemic. The loan has been extended for an additional 3-year term bearing interest at 5% per annum. During the year ended March 31, 2024, the Company recorded interest expense of $750 (2023 - $Nil) respectively, on the consolidated annual statements of operations.

iii.) Vital Link Financial Services, LLC term loan - $75,115

On April 20, 2021, the Company was issued a term loam (“Loan”) in the amount of $75,115 for operating cash purposes by Vital Link Financial Services, LLC. The terms of the Loan include interest at 10% compounded annually for one year with a one (1) year renewal option. In addition, the loan includes 100,000 two (2) year full warrants which can each be exchanged for one common share at an exercise price of $0.38 per share. During the year ended March 31, 2024, the Company recorded interest expenses of $453 (2023 - $2,062) respectively, on the consolidated statements of operations. At maturity, the company exercised the option to convert the principal balance ($75,115) plus accrued interest ($15,735) for a total of $90,850 to 239,079 common share equity at $0.38 per share. The transaction is recorded as equity to be issued on the consolidated annual statements of operations.

iv.) Vital Link Financial Services, LLC term loan - $78,616

On September 28, 2021, the Company was issued a term loam (“Loan”) in the amount of $78,616 for operating cash purposes by Vital Link Financial Services, LLC. The terms of the Loan include interest at 10% compounded annually for one year with a one (1) year renewal option. In addition, the loan includes 103,335 two (2) year full warrants which can each be exchanged for one common share at an exercise price of $0.38 per share. During the year ended March 31, 2024, the Company recorded interest expenses of $4,277 respectively, (2023 - $6,150) on the consolidated statements of operations. At maturity, the company exercised the option to convert the principal balance ($78,805) plus accrued interest ($16,522) for a total of $95,138 to 250,068 common shares equity at 0.3804 per share. The transaction is recorded as equity to be issued on the consolidated annual statements of operations.

v.) Vital Link Financial Services, LLC term loan - $75,805

On February 24, 2022, the Company was issued a term loam (“Loan”) in the amount of $75,805 for operating cash purposes by Vital Link Financial Services, LLC. The terms of the Loan include interest at 10% compounded annually for one year with a one (1) year renewal option. In addition, the loan includes 100,000 two (2) year full warrants which can each be exchanged for one common share at an exercise price of $0.38 per share. During the year ended March 31, 2024, the Company recorded interest expenses of $7,562 (2023 - $7,652) respectively, on the consolidated statements of operations. At maturity, the company exercised the option to convert the principal balance ($75,805) plus accrued interest ($15,940) for a total of $91,745 to 241,434 common share equity at $0.38 per share. The transaction is recorded as equity to be issued on the consolidated annual statements of operations.

vi.) Vital Link Financial Services, LLC term loan - $51,304

On May 24, 2022, the Company was issued a term loam (“Loan”) in the amount of $51,304 for operating cash purposes by Vital Link Financial Services, LLC. The terms of the Loan include interest at 10% compounded annually for one year with a one (1) year renewal option. In addition, the loan includes 66,667 two (2) year full warrants which can be exchanged for common shares at an exercise price of $0.38. . During the year ended March 31, 2024, the Company recorded interest expenses of $5,568, (2023 - $4,399), on the consolidated annual statements of operations.

vii.) J. Montalvo term loan - $30,000

On August 18, 2021, the Company was issued a term loam (“Loan”) in the amount of $30,000 for operating cash purposes by J. Montalvo. The terms of the Loan include interest at 10% compounded annually for one year with a one (1) year renewal option. In addition, the loan includes 80,950 for two (2) year half warrants and a full warrant can be exchanged for common shares at an exercise price of $0.37. During the ended March 31, 2024, the Company recorded interest expense of $1,002 (2023 - $3,186) respectively on the consolidated annual statements of operations. At maturity, the company exercised the option to convert the principal balance ($30,000) plus accrued interest ($6,300) for a total of $36,300 to 97,949 common share equity at 0.3706 per share. The transaction is recorded as equity to be issued on the consolidated annual statements of operation.

viii.) Clarence Group term loan - $65,190

On July 5, 2022, the Company was issued a term loam (“Loan”) in the amount of $65,190 for operating cash purposes by the Clarence Group, LLC. The terms of the Loan include interest at 10% compounded annually for one year with a one (1) year renewal option. In addition, the loan includes 83,333 two (2) year full warrants which can be exchanged for common shares at an exercise price of $0.39. During the three-and nine-months periods ended March 31, 2024, the Company recorded interest expenses of $7,001, (2023 - $4,840) respectively, on the consolidated annual statements of operations.

ix.) Vital Link Financial Services, LLC term loan - $78,996

On September 1, 2022, the Company was issued a term loam (“Loan”) in the amount of $78,996 for operating cash purposes by Vital Link Financial Services, LLC. The terms of the Loan include interest at 10% compounded annually for one year with a one (1) year renewal option. In addition, the loan includes 100,000 two (2) year full warrants, each full warrant can be exchanged for a common shares at an exercise price of $0.39. During the year ended March 31, 2024, the Company recorded interest expenses of $8,358, (2023 - $4,610) respectively, on the consolidated annual statements of operations.

x.) Sam Hancock term loan - $27,306

On December 20, 2022, the Company was issued a term loam (“Loan”) in the amount of $27,306 for operating cash purposes by Sam Hancock. The terms of the Loan include interest at 10% compounded annually for one year with a one (1) year renewal option. In addition, the loan includes 33,333 two (2) year full warrants, each full warrant can be exchanged for a common shares at an exercise price of $0.41. During the year ended March 31, 2024, the Company recorded interest expenses of $2,806, (2023 - $756) respectively, on the consolidated annual statements of operations.

xi.) Growth St. Louis Fund - $41,013

On March 23, 2023, the Company was issued a term loam (“Loan”) in the amount of $41,013 for operating cash purposes by the Growth St. Louis Fund. The terms of the Loan include interest at 10% compounded annually for one year with a one (1) year renewal option. In addition, the loan includes 50,000 two (2) year full warrants which can be exchanged for common shares at an exercise price of $0.40. . During the year ended March 31, 2024, the Company recorded interest expenses of $4,124, (2023 - $90) respectively, on the consolidated annual statements of operations.

(Stated in Canadian Dollars)

6) Derivative Liabilities

The carrying value of the warrant derivative liabilities are recorded on the balance sheet, with changes in the carrying value being recorded as change in fair value of derivative liabilities on the consolidated annual statements of operations. The Board initially approved a one-year extension and then subsequently, approved a second-year extension for the June 21, 2017, warrants plus the July 25, 2017, warrants to June 21, 2024, and July 25, 2024, respectively. The components of the convertible note derivative liabilities and warrant derivative liabilities as of March 31, 2024, and March 31, 2023, respectively are:

	March 31, 2024				March 31, 2023			
Financing giving rise to derivative financial instruments		Indexed Shares		Fair value		Indexed Shares		Fair Value
Warrant derivative liabilities:								
June 21, 2017	$	200,000	$	30	$	200,000	$	19,836
July 25, 2017		200,000		141		200,000		25,610
	$	400,000	$	171	$	400,000	$	45,446

Fair Value Considerations

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. As presented in the tables below, this hierarchy consists of three broad levels:

Level 1 valuations: Quoted prices in active markets for identical assets and liabilities.

Level 2 valuations: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose inputs or significant value drivers are observable.

Level 3 valuations: Significant inputs to valuation model are unobservable.

(Stated in Canadian Dollars)

The Company follows the provisions of ASC 820 with respect to our financial instruments. As required by ASC 820, assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. The derivative financial instruments which are required to be measured at fair value on a recurring basis under of ASC 815 as of March 31, 2024, and March 31, 2023, respectively. Convertible note derivative liabilities and warrant derivative liabilities are classified as Level 3 within the fair value hierarchy. The Company's computation of expected volatility on March 31, 2024, and March 31, 2023, is based on the historical stock price of the Company over the period equal to the expected life of the conversion features and warrants. The Company's computation of expected life is calculated using the contractual life.

	Fair Value at	Fair Value Measurement Using		
	March 31, 2024	Level 1	Level 2	Level 3
Derivative liabilities	$ 171	$ -	$ -	$ 171

The warrant derivative liabilities are valued using a binomial-lattice-based valuation model. The lattice-based valuation technique was utilized because it embodies all the requisite assumptions (including the underlying price, exercise price, term, volatility, and risk-free interest-rate) that are necessary to fair value these instruments. For forward contracts that contingently require net-cash settlement as the principal means of settlement, the Company projects and discounts future cash flows applying probability-weighted to multiple possible outcomes. Estimating fair values of derivative financial instruments requires the development of significant and subjective estimates that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques are highly volatile and sensitive to changes in the trading market price of our common stock. Because derivative financial instruments are initially and subsequently carried at fair values, the income will reflect the volatility in these estimate and assumption changes.

(a) Warrant Derivative Liabilities

The following table sets forth the range of inputs for each significant assumption:

	March 31, 2024	March 31, 2023
Stock Price	$ 0.10 USD	$ 0.18 USD
Risk free rate	4.53% to 4.70%	4.81%
Expected volatility	123%	363% - 364%
Conversion/Exercise price	$ 0.50 USD	$ 0.50 USD
Expected dividend rate	0%	0%
Expected life (in years)	0.22 – 0.32	1.22 – 1.32

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The following table represents the Company's warrant derivative liability activity for the years ending March 31, 2024, and March 31, 2023, respectively:

	March 31, 2024	March 31, 2023
Warrant derivative liability balance, beginning of period	$ 45,446	$ 142,888
Issuance of derivatives, during the period	-	-
Change in fair value of derivative liability, during the period	(45,275)	(97,442)
Warrant derivative liability balance, end of period	$ 171	$ 45,446

As at, March 31, 2024, the following warrants were outstanding:

Expiration Date	Number of Warrants	Number of Warrants Exercisable	Weighted Average Exercise Price	Grant Date Fair Value - Equity
June 21, 2024	200,000	200,000	$ USD$0.50	$ -
			$ CAD$0.66	
July 25, 2024	200,000	200,000	$ USD$0.50	-
			$ CAD$0.66	
October 26, 2024	1,225,781	1,225,781	$ CAD$0.75	-
June 1, 2024	41,669	41,669	$ CAD$0.41	-
November 30, 2024	33,335	33,335	$ CAD$0.39	-
April 20, 2024	100,000	100,000	$ CAD$0.38	-
August 18, 2024	40,475	40,475	$ CAD$0.37	-
September 28, 2024	103,335	103,335	$ CAD$0.38	-
October 18, 2024	100,000	100,000	$ CAD$0.36	-
February 25, 2024	100,000	100,000	$ CAD$0.38	-
May 24, 2024	66,667	66,667	$ CAD$0.38	-
July 5, 2024	83,333	83,333	$ CAD$0.39	-
September 1, 2024	100,000	100,000	$ CAD$0.39	
December 20, 2024	33,333	33,333	$ CAD$0.41	
March 23, 2025	50,000	50,000	$ CAD$0.40	
Balance, March 31, 2024	2,477,928	2,477,938	$ CAD$0.61	$ -

(Stated in Canadian Dollars)

The continuity of warrants for the year ended March 31, 2024, as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, March 31, 2023	2,477,928	$	0.61
No change	-		
Balance, March 31, 2024	2,477,928	$	0.61

7) Capital Stock

(a) Common Shares

Authorized

The Company is authorized to issue an unlimited number of common shares with no par value.

Issued and Outstanding

Under the terms of convertible notes issued on June 21, 2017, for USD$50,000 ($66,550), the Company agreed to issue 100,000 common shares valued using convertible debt issue date market share price at $13,989 as a commitment fee. The note matured on June 21, 2018, and a total of 560,000 common shares were issued on maturity plus 200,000 purchase warrants were also issued on June 21, 2017. One purchase warrant can be exchanged for one common share for USD$0.50 at any time until June 21, 2024. During the year, the Board approved the extension to June 21, 2024.

Under the terms of a convertible note issued on July 25, 2017, for USD$50,000 ($62,535), the Company agreed to issue 100,000 common shares valued using convertible debt issue date market share price at $11,256 as a commitment fee. The note matured on July 25, 2018, and a total of 560,000 common shares were issued on maturity plus 200,000 purchase warrants were also issued on July 25, 2017. One purchase warrant can be exchanged for one common share for USD$0.50 at any time until July 25, 2024. During the year, the Board approved the extension to July 25, 2024.

(Stated in Canadian Dollars)

Under the terms of the stock-based compensation plan the following stock options were exercised:

Schedule of stock options exercised:

Number of Options	Weighted Average Exercise Price	Total Amount Received
200,000	$ 0.15	$ 30,000
130,000	$ 0.19	24,700
60,000	$ 0.40	24,000
150,000	$ 0.40	60,000
15,000	$ 0.41	6,150
555,000	$ 0.26	$ 144,850

Equity to be issued:

As of March 31, 2024, the Company, under the terms of a previous capital raise, is obligated to issue 732,506 shares of common stock valued at $291,085 and 366,152 two-year full warrants exercisable for one common share at $0.75.

As of March 31, 2024, the Company is obligated to issue 50,000 shares of common stock valued at $8,849 under the terms of a consulting agreement dated March 25, 2021.

As of March 31, 2024, the Company is obligated to issue 101,179 shares of common stock valued at $41,777, under the terms of a Term Loan which matured on June 3, 2022, represented by the principal of $34,510 plus accrued interest $7,267.

As of March 31, 2024, the Company is obligated to issue 80,676 shares of common stock valued at $31,383, under the terms of a Term Loan which matured on November 30, 2022, represented by the principal of $25,930 plus accrued interest $5,453.

As of March 31, 2024, the Company is obligated to issue 239,079 shares of common stock valued at $90,850, under the terms of a Term Loan which matured on April 20, 2023, represented by the principal of $75,115 plus accrued interest $15,735.

(Stated in Canadian Dollars)

As of March 31, 2024, the Company is obligated to issue 250,068 shares of common stock valued at $95,138, under the terms of a Term Loan which matured on September 28, 2023, represented by the principal of $78,805 plus accrued interest of $16,522.

As of March 31, 2024, the Company is obligated to issue 97,949 shares of common stock valued at #36,300, under the terms of a Term Loan which matured on August 18, 2023, represented by the principal of $30,000 plus accrued interest of $6,300.

As of March 31, 2024, the Company, under the terms of a capital raise currently in process, is obligated to issue 275,000 shares of common stock valued at $148,792 and 275,000 three-year full warrants exercisable for one common share at $0.55.

As of March 31, 2024, the Company is obligated to issue 241,434 shares of common stock valued at $91,745, under the terms of a Term Loan which matured on February 25, 2024.

(b) Stock-based compensation

The Company's stock-based compensation program (the "Plan") includes stock options in which some options vest based on continuous service. For those equity awards that vest based on continuous service, compensation expense is recorded over the service period from the date of grant. The maximum number of options that may be issued under the plan is floating at an amount equivalent to 15% of the issued and outstanding common shares, or 3,193,707 as of March 31, 2024 (March 31, 2023 – 3,098,457). The Company awarded 780,000 options during the year and during the year 555,000 vested options were exercised for common shares.

The activities in options outstanding are as noted below:

	Number of Options		Weighted Average Exercise Price
Balance, March 31, 2023	2,210,000	$	0.30
Issued	780,000	$	0.55
Exercised	(555,000)	$	0.26
Balance, March 31, 2024	2,435,000	$	0.37

(Stated in Canadian Dollars)

The following table presents information relating to stock options outstanding and exercisable as of March 31, 2024.

		Options Outstanding		Options Exercisable			
	Exercise Price	Number of Options	Weighted Average Remaining Contractual Life (Years)	Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
$	0.15	540,000	0.83	540,000	$	0.15	0.83
$	0.19	290,000	1.04	290,000	$	0.19	1.04
$	0.50	150,000	1.06	150,000	$	0.50	1.06
$	0.40	180,000	1.25	180,000	$	0.40	1.25
$	0.40	330,000	2.83	330,000	$	0.40	2.83
$	0.41	165,000	3.90	120,000	$	0.41	3.90
$	0.55	780,000	4.83	255,000	$	0.55	4.83
$	0.37	2,435,000	2.66	1,865,000	$	0.32	2.02

During the year ended March 31, 2024, the Company recorded $137,151, (80,970), respectively as additional paid-in capital for options issued to directors, officers and consultants based on continuous service. This expense was recorded as stock-based compensation on the consolidated annual statements of operations.

	Number of Deferred Share Units
March 31, 2023	9,523,840
Granted, Deferred Share units	1,476,015
March 31, 2024	10,999,855

10,162,759 of the deferred share units granted by the Company have vested. One deferred share unit may be exchanged for one share of common stock at the option of the holder.

(Stated in Canadian Dollars)

During the year ended March 31, 2024, the Company recorded 1,476,015 (2023 – 928,050), respectively for deferred share units valued at $690,280, (2023 - $ 380,501), respectively). The deferred share units are recorded as additional paid-in capital in the consolidated annual statements of operations.

8) Commitments and Contingencies

The operating lease for office and production facilities expires on November 30, 2026. The base monthly rental is currently $2,650 and will further increase to $2,761 in 2025 plus the Company's estimated portion of property taxes and operating expenses of $1,383 per month. The future commitments pursuant to this lease, including property taxes and operating expenses for the fiscal periods ending March 31 are:

2025	$	48,846
2026	$	50,180
2027	$	43,725

For the year ended March 31, 2024, occupancy net costs related to this lease were $52,907, (2022 – $48,503), respectively. As of August 1, 2023, the Company entered into a sublease for a portion of the office space and the amount being received is recognized as income.

The Company has a second Mitacs research grant with the University of Guelph. The objective for the grant is to measure the effectiveness of CanaQuest's drug candidate for treating pain and anxiety with companion animals. The total grant is $45,000 with the commitment from CanaQuest being $22,500. CanaQuest has paid the initial invoice of $7,500 with the remaining balance of $15,000 to be paid during the 2023-2024 fiscal year, and the amount is recorded at part of the accounts payable.

9) Advances – Related Parties

The Company from time to time borrows from its principal shareholders, officers, and directors, to pay general operating costs. These advances are non-interest bearing, unsecured, and generally due upon demand. As of March 31, 2024, and March 31, 2023, advances due to related parties are $159,437, and $89,573, respectively.

10) Financial Instruments

(a) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities and advances from related parties. As of March 31, 2024, the Company had cash of $78 (March 31, 2023, available - $4,098) to settle current liabilities of $1,321,586 (March 31, 2023 - $1,148,186). All of the Company's financial liabilities other than the warrant liability of $171 (March 31, 2023 - $45,446), the term loans of $375,809 (March 31, 2023 - $635,345), and the Advances from related parties are $159,437 (March 31, 2023 - $89,573) have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

In the normal course of business, management considers various alternatives to ensure that the Company can meet some of its operating cash flow requirements through financing activities, such as private placements of common stock, preferred stock offerings and offerings of debt and convertible debt instruments as well as through merger or acquisition opportunities. Management may also consider strategic alternatives, including strategic investments and divestitures. As future operations may be financed out of funds generated from financing activities, the ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the cannabis/biopharma industries and the Company's securities in particular. Should the Company elect to satisfy its cash commitments through the issuance of securities, by way of either private placement or public offering or otherwise, there can be no assurance that the efforts to obtain such additional funding will be successful or achieved on terms favorable to the Company or its existing shareholders. If adequate funds are not available on favorable terms, the Company may have to reduce substantially or eliminate expenditures or obtain funds through other sources such as divestiture or monetization of certain assets or sublicensing (where permitted) of certain rights to certain of the Company's technologies or products.

(b) Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Cash deposits with a major Canadian chartered bank are insured by the Canadian Deposit Insurance Corporation up to $100,000. As at, March 31, 2022, the Company held cash of $78 (March 31, 2023, cash available - $4,098) with a major Canadian chartered bank.

(c) Foreign exchange risk

The Company principally operates within Canada. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Certain of the Company's debt obligations are denominated in U.S. dollars. Management does not hedge its foreign exchange risk.

(d) Interest rate risk

As of March 31, 2024, the Company does not have any non-fixed interest-bearing debt. Management believes that the interest rate risk concentration with respect to financial instruments included in assets and liabilities has been reduced to the extent presently practicable.

11) Subsequent event

The Company announced on June 11, 2024, additions to the management team with the addition of the Lead Scientific Advisor (Dr. Jordyn Stuart) and the Chairperson of the Advisory Board (Dr. Paul Dick).