OTC Markets

CanaQuest Medical Corporation

A Canadian Federal Corporation

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Quarterly Report

For the period ending June 30, 2024 (the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

As of August 9, 2024, the number of shares outstanding of our Common Stock was:

21,411,377

As of the most recently completed Quarter of June 30, 2024, the number of shares outstanding of our Common Stock was:

20,211,377

As of the most recently completed Fiscal Year of March 31, 2024, the number of shares outstanding of our Common Stock was:

20,211,377

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control

Indicate by check mark whether a Change in Control[4] of the company has occurred during this reporting period
Yes: ☐ No: ☒

[4] "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

Converted Carbon of Canada Corp. from October 7, 2008, to November 19, 2010
Converted Carbon Technologies Corp. from November 19, 2010, to August 11, 2014
Algcan Corp. from May 12, 2014, to August 11, 2014
Algae Dynamics Corp. from August 11, 2014, to January 30, 2019
CanaQuest Medical Corporation from January 30, 2019, to present.

Present Address:

Unit 37 – 4120 Ridgeway Drive
Mississauga, Ontario Canada 5L5 5S9

The Issuer is a federally incorporated company in Canada. The Issuer was initially incorporated on October 7, 2008.

The Issuer is in good standing under the laws of its jurisdiction of incorporation.

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

None

List any stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None

Address of the issuer's principal executive office:

Unit 37 – 4120 Ridgeway Drive
Mississauga, Ontario
Canada L5L 5S9

Address of the issuer's principal place of business:
☒ *Check if principal executive office and principal place of business are the same address:*

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: VStock, LLC
Phone: 212-828-8436
Email: _0-k@vstocktransfer.com
Address: 18 Lafayette Place
Woodmere, New York 11598

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	CANQF	
Exact title and class of securities outstanding:	Common	
CUSIP:	CA1372201097	
Par or stated value:	No Par Value	
Total shares authorized:	Unlimited	as of date: June 30, 2024
Total shares outstanding:	21,211,377	as of date: June 30, 2024
Total number of shareholders of record:	67	as of date: June 30, 2024

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security: N/A____
Par or stated value: N/A____
Total shares authorized: N/A____ as of date: _____
Total shares outstanding: N/A____ as of date: _____
Total number of shareholders of record: N/A____ as of date: _____

Please provide the above-referenced information for all other classes of authorized or outstanding equity securities.

____

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. **For common equity, describe any dividend, voting and preemption rights.**

Each share has the same standard dividend, voting and preemptive rights. That is, each share exercises one vote, each share is entitled to a dividend if such a dividend is approved by the Board and all other rights associate with common shares are identical for all the common shares.

2. **For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

N/A

3. **Describe any other material rights of common or preferred stockholders.**

N/A

4. **Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

There have been no modifications to the rights of the holders during the reporting period covered by this report

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities ***in the past two completed fiscal years and any subsequent interim period****.*

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Shares Outstanding as of Second Most Recent Quarter: Opening Balance Date March 31, 2022 Common: 20,656,377 Preferred: Nil			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	**Transaction type (e.g. new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).**	**Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided**	**Restricted or Unrestricted as of this filing.**	**Exemption or Registration Type.**
October 27, 2023	Exercise of stock option	200,000	common	$0.15 per share for a total value of $30,000	Yes – the shares were issued on the basis on stock options awarded in the past.	Ross Eastley	Exercise of stock options for cash.	restricted	n/a
October 27, 2023	New issuance	130,000	common	$0.19 per share for a total value of $24,700	Yes – the shares were issued on the basis of stock options awarded in the past.	Ross Eastley	Exercise of stock options for cash.	restricted	n/a

October 27, 2023	New issuance	60,000	common	$0.40 per share for a total value of $24,000	Yes – the shares were issued on the basis of stock options awarded in the past.	Ross Eastley	Exercise of Stock options for cash.	restricted	n/a
October 27, 2023	New issuance	150,000	common	$0.40 per share for a total value of $60,000.	Yes – the shares were issued on the basis of stock options awarded in the past.	Ross Eastley	Exercise of Stock options for cash.	restricted	n/a
October 27, 2023	New issuance`	15,000	common	$0.41 per share for a total value of $6,150.	Yes – the shares were issued on the basis of stock options awarded in the past.	Ross Eastley	Exercise of stock options for cash	restricted	n/a
Shares Outstanding on Date of This Report: Ending Balance Ending Balance: Date June 30, 2024, Common: 20,211,377 Preferred: Nil									

Example: A company with a fiscal year end of December 31st 2023, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2022 through December 31, 2023 pursuant to the tabular format above.

******Control persons for any entities in the table above must be disclosed in the table or in a footnote here.***

Use the space below to provide any additional details, including footnotes to the table above:

___

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance ($)	Principal Amount at Issuance ($)	Interest Accrued ($)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
5/4/2016	$52,000	$40,000	Nil	8/26/2016	The Note had a loan premium of $12,000 and has been amended to give the Company and indefinite extension to the maturity date.	Wojciech Rusiniak is a relative of the CEO Richard Rusiniak	Bridge Financing for Corporate Development
8/12/2021	$60,000	$60,000	$1,265	12/31/2026	5% annual interest rate with maturity of December 31, 2026.	Canadian Government	To provide operating cash during the COVID-19 pandemic
07/05/2022	$65,190	$65,190	$13,629	07/07/2024	The Term Loan has 10% interest compounded annually for one year with a one (1) year renewal option. In addition, the loan includes 83,333 two (2) year warrants which can be exchanged for common shares at an exercise price of $0.39.	Bill Bates - The Clarence Group, LLC.	To provide operating cash
09/01/2022	$78,996	$78,996	$15,135	09/01/2024	The Term Loan has 10% interest compounded annually for one year with a one (1) year renewal option. In addition, the loan includes 100,000 two (2) year warrants which can be exchanged for common shares at an exercise price of $0.39.	Bill Bates - Vital Link Financial Services, LLC.	To provide operating cash

12/20/2022	$27,306	$27,306	$4,311	12/20/2024	The Term Loan has 10% interest compounded annually for one year with a one (1) year renewal option. In addition, the loan includes 33,333 two (2) year warrants which can be exchanged for common shares at an exercise price of $0.41.	Sam Hancock	To provide operating funds
03/23/2023	$41,013	$41,013	$5,338	03/23/2025	The Term Loan has 10% interest compounded annually for one year with a one (1) year renewal option. In addition, the loan includes 50,000 two (2) year warrants which can be exchanged for common shares at an exercise price of $0.40.	Bill Bates – Growth St. Louis Fund	To provide operating funds.

******Control persons for any entities in the table above must be disclosed in the table or in a footnote here.***

Use the space below to provide any additional details, including footnotes to the table above:

____

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations.
Ensure that these descriptions are updated on the Company's Profile on www.OTCMarkets.com.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Business Operations Overview:

Cautionary statement regarding forward-looking information.

This overview contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are based on current expectations, estimates, forecasts, and projections about the industry in which CanaQuest Medical Corp operates, as well as the beliefs and assumptions of CanaQuest's management. Forward-looking statements may

be identified by the use of forward-looking terminology such as "plans," "expects," "believes," "estimates," "intends," "may," "will," "should," "could," "anticipates," "predicts," "potential," "continue," or similar terms, variations of those terms, or the negative of those terms. The forward-looking statements include but are not limited to, statements regarding:

- The anticipated benefits and effectiveness of Drug Candidate CQ-001 and its potential to treat rare neurological conditions such as epilepsy.
- The expected progress and outcomes of clinical trials for CQ-001 and the nutraceutical formulation Mentanine™.
- CanaQuest's ability to successfully navigate the regulatory approval process.
- The potential for commercialization of cannabidiol-based pharmaceuticals and nutraceuticals.
- The impact of executive team appointments on CanaQuest's clinical trials and regulatory approval processes.

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions about CanaQuest Medical Corp, and there can be no assurance that the expectations of CanaQuest will be realized. Important factors that could cause actual results to differ materially from those in the forward-looking statements include:

- The possibility that clinical trials of CQ-001 may not be successful or may take longer than anticipated to complete.
- Challenges in securing regulatory approvals or changes in the regulatory environment.
- The potential for unforeseen side effects or other safety issues could interrupt or halt clinical trials or affect patient enrollment.
- The ability to protect intellectual property and to operate without infringing upon the proprietary rights of others.
- Market acceptance of the Company's products and competition from existing products or new products that may emerge.
- The impact of economic, competitive, governmental, technological, or other factors on the pharmaceutical and nutraceutical markets that could affect the Company's operations or financial results.
- The possibility that the company's cash and cash equivalents may not be sufficient to support its operating plan for as long as anticipated.
- Potential delays in the company's clinical development programs, including those related to patient enrollment or site initiation.
- Risks associated with the manufacturing and distribution of the company's products.

Investors are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such

forward-looking statements. CanaQuest Medical Corp undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

Additional Risk Factors with risk mitigation strategies.

The company faces a number of risks that could materially affect its ability to achieve its objectives and execute its strategy. These risks include, but are not limited to, the following:

1. Raising sufficient funds.

The company requires significant capital to complete its clinical trials and regulatory submissions for its drug candidates, CQ-001, CQ-002, Mentanine™. Mentabinol™

The company may not be able to secure adequate financing from investors, partners, or other sources, especially in the uncertain economic environment caused by the COVID-19 pandemic.

The company has made conservative financial projections, based on 18–36-month timelines for regulatory approvals in Canada and the US, and has sought to add partnerships to improve its finance ability.

Risk mitigation strategies.

Secure funding through a variety of sources such as accredited investors, venture capital firms, grants, refundable tax credits, strategic partnerships, and importantly achieve the milestones which have been established.

Management has invested funds to provide the necessary cash flow in the short term while the company is preparing for the initial interim capital raise.

2. Conducting successful clinical trials.

The company's drug candidates are based on novel formulations and delivery methods of cannabinoids, which have not been extensively tested in humans for the indications targeted by the company.

The company may fail to demonstrate the safety and efficacy of its drug candidates in its clinical trials or may encounter unforeseen adverse events or interactions with other drugs or substances.

The company may face delays or difficulties in patient recruitment, trial completion, data analysis, or reporting, due to factors such as the rarity of the conditions, the availability of alternative treatments, or the impact of the COVID-19 pandemic on the healthcare system and the trial sites.

The company relies on third-party contract research organizations (CROs) and investigators to conduct and oversee its clinical trials, and may not be able to control the quality, timeliness, or compliance of their work.

The company has hired an experienced team to lead its clinical trial design and management and has obtained a recent quote of US$3.3 million for a trial similar in size to those conducted by GW Pharma for Epidiolex approval, which is lower than the industry average.

Risk mitigation strategies.

CanaQuest has built out the management team to include senior researchers formerly aligned with GW Pharmaceutical and Jazz Pharmaceutics – in effect, we have added people that have been there and done that in terms of achieving regulatory approval for a cannabidiol based drug specifically for treating rare forms of epilepsy.

We believe that the path to regulatory approval for CQ-001 and our nutraceutical solution is made easier by the success of competing products such as Epidiolex® and the experience of our team.

In addition, the nutraceutical iteration of our formula, Mentanine™, is slated for evaluation studies to explore its potential across various indications and pave the way for future clinical trials. These studies will occur through a collaboration with Neeka Health, which has extensive clinical trial expertise, and the NHL Alumni Association. Neeka has agreed to supervise multiple studies on former professional athletes. Importantly, Neeka has conducted extensive due diligence on over 100 companies in the cannabinoid space, and CanaQuest was the only company chosen to perform these studies.

3. Obtaining regulatory approvals.

The company's drug candidates are subject to rigorous and complex regulatory requirements in Canada, the US, and other jurisdictions, which may change over time or differ across regions.

The company may be required to provide additional preclinical or clinical data, conduct post-marketing studies, or comply with additional safety or quality standards, which could increase the costs, duration, and uncertainty of the approval process.

The company may face delays in the review process or inspections by the regulatory authorities, due to their workload, priorities, or policies, or due to the COVID-19 pandemic or other events that may disrupt their operations.

The company expects to receive approval from Health Canada for its clinical trials within 18 months of commencement and approval from the US FDA within 36 months, which are shorter than the average timelines for drug approvals in these jurisdictions.

The company also expects to benefit from the existing evidence of CANNABIDIOL efficacy for epilepsy, and the potential priority review status for its drug candidates, which could expedite the approval process, but creates significant uncertainty.

Risk Mitigation strategies.

CanaQuest will be following a similar path to obtain regulatory approval that was pursued by GW Pharma. In effect, GW Pharma established the pathway for obtaining regulatory approval for a cannabidiol based drug and we have as part of the CanaQuest team some of the senior management personnel from GW Pharma with the experience of co-managing the regulatory and the clinical trials process.

Partnerships**:** CanaQuest has established partnerships with Neeka Health for clinical trial expertise and the NHL Alumni Association for evaluation studies. These partnerships will investigate the potential applications of CQ-001 across various indications, paving the way for future clinical trials.

4. Achieving sales projections.

The company's revenue projections are based on the assumption that its drug candidates will be successfully approved, launched, and adopted by the market and that it will be able to secure favorable pricing and reimbursement from payers and regulators.

The company may face challenges in achieving its sales projections, due to factors such as slower-than-expected market penetration, competition from other products, patient or physician preferences, or changes in the market demand or dynamics.

The company may also encounter issues with its manufacturing, supply chain, or distribution, which could affect the quality, availability, or cost of its products, or result in product recalls or shortages.

The company has made conservative sales projections, based on the estimated market size and opportunity for its drug candidates.

Risk mitigation strategies.

CanaQuest has established some fairly conservative sales forecast strategies based on the experience from reporting of a potential competitive product in the respective SEC filings submitted by GW Pharma and Jazz Pharmaceuticals. Additional steps will be taken such as working with insurance companies to make sure the approved drug will be covered by insurance, we will be working with the various epileptic associations to make them aware of the status of the development for the drug candidate, in Canada we will be working with the various Provincial Health Departments, and we have experienced management.

5. Potential lawsuits.

The company may be exposed to product liability claims, if its products cause or are alleged to cause injury, illness, or death to patients or consumers, or if its products are defective or mislabeled.

The company may also be subject to patent infringement claims, if its products or processes are alleged to infringe on the intellectual property rights of others, especially Jazz Pharmaceuticals, which owns the patent for the use of CANNABIDIOL for epilepsy in the US.

The company has filed a strong patent application for the formula and delivery method of its drug candidates, which covers both the composition and the process of creating the nano-emulsion.

Risk mitigation strategies.

The Company has approved policies and procedures which are constantly being reviewed to determine if revision should be introduced.

Additional steps will be taken to ensure the company has the best expertise available from the Board of Directors on throughout the organization.

The Company will be undertaking additional patent filings as results of progress in the refinement of the formulation and the drug delivery process.

CanaQuest's experienced management team will be of significance factor in reducing the risk.

6. Competition.

The company operates in a highly competitive and rapidly evolving industry, where other companies are developing similar or alternative cannabinoid products for the same or different indications.

The company may face competition from generic versions of its products after its patents expire or are invalidated, or from existing approved drugs that are already on the market or in development.

Risk mitigation strategies.

The company is developing alternative products and targeting new conditions to mitigate the impact of competition. Products will be developed to treat additional CNS disorders, as well veterinary applications, plus over-the-counter products (OTC). The OTC products, of course, will be less potent.

The company is accessing the best expertise available, in various countries, to provide advice with solving the problems that will be encountered in developing the drug candidate.

Our Business:

We are a biopharmaceutical company specializing in the development of innovative cannabinoid-based therapeutics. We are currently focused on CQ-001, our proprietary drug candidate that combines cannabidiol (CBD) with essential fatty acids (Omega-3s). Prior research and animal studies involving our formulation have demonstrated its synergistic effects and enhanced ability to bind to critical "PPAR" receptors in the brain, playing a key role in cellular regulation and metabolism, while exhibiting increased potency and effectiveness in addressing epilepsy. If proven effective, we believe CQ-001 could offer superior benefits compared to existing treatments like Epidiolex® at lower dosages and with reduced side effects to treat neurological conditions such as epilepsy together with PTSD and anxiety. Our advanced research and promising pre-clinical results position CanaQuest as a leader in next-generation cannabinoid therapies, presenting a compelling investment opportunity.

Prior Research Involving Our Formulation.

Pre-clinical trials of our formulation were conducted by Dr. Steven Laviolette, a professor and neuroscientist specializing in mental health and cannabinoids at Western University. These trials were conducted on rodents and demonstrated that our formulation effectively reduces anxiety and enhances the process of blocking the forming and storing of memories related to fear. These results suggest potential benefits for treating anxiety, depression, and PTSD, although further studies are needed to confirm these findings in humans.

Additionally, a preclinical MES (Maximal Electroshock Seizure) model of epilepsy conducted on mice by the Ontario Brain Institute revealed that our drug candidate CQ-001 is more effective at preventing seizures compared to CBD alone and has the potential to increase its potency by over 35%. This breakthrough positions CQ-001 as a superior treatment option for epilepsy, providing enhanced efficacy and safety.

These initial research studies support our belief that CQ-001 offers significantly higher efficacy at lower doses while providing enhanced protection against seizures and other conditions compared to competing alternatives. Based on our interpretation of this research, which we intend to confirm with further clinical studies, our belief is that our formulation has the potential to address the following conditions and for the reasons indicated:

1. ***Epilepsy***: CBD has anticonvulsant properties that can help reduce seizure frequency and severity. Omega-3 supports brain health and may enhance the anticonvulsant effects of CBD by improving its absorption and effectiveness.

2. ***PTSD***: CBD helps regulate mood and reduce symptoms of PTSD, such as anxiety and flashbacks, by interacting with the endocannabinoid system. Omega-3 fatty acids can further support brain function and mood regulation, potentially enhancing CBD's therapeutic effects.

3. ***Anxiety***: CBD has anxiolytic (anxiety-reducing) properties which could help to manage symptoms of anxiety disorders. Omega-3 is expected to improve mood and reduce anxiety by supporting overall brain health and function, making the combination more effective in reducing anxiety symptoms.

How our Formulation Functions.

We have submitted patent applications for a formulation combining cannabidiol (CBD) and Omega-3 fatty acids. This proprietary formulation is designed to enhance the effectiveness and bioavailability of cannabinoids, setting our solution apart from other alternatives in the following ways:

1. ***Improved Bioavailability***: Omega-3 fatty acids can potentially improve the bioavailability of CBD, meaning that more CBD may enter the bloodstream and reach the target receptors.

2. ***Synergistic Effects***: Omega-3 fatty acids themselves can activate PPAR receptors. When combined with CBD, the pre-clinical trial results demonstrated a synergistic effect, enhancing the overall activation of PPAR receptors.

3. ***Cell Membrane Fluidity***: Omega-3 fatty acids can increase the fluidity of cell membranes, making it easier for CBD to interact with and bind to PPAR receptors.

4. ***Anti-Inflammatory Properties***: Both CBD and Omega-3s have anti-inflammatory properties, which can help reduce inflammation and create a more favorable environment for the activation of PPAR receptors.

The Company is also developing a nutraceutical version of this formulation, called Mentanine™, which is scheduled for clinical studies to explore its potential use for various conditions. The nutraceutical version will be less potent, as an analogy think of Tylenol and Tylenol-3.

Accumulated Expertise.
To commercialize and obtain the relevant regulatory approvals for our formulation, we have built out our management team including the addition of personnel who have extensive experience with cannabinoid therapeutics, as well as experience working with the FDA to obtain approval for the launch of the only approved cannabidiol based drug (Epidiolex®):

1. ***Acting Chief Scientific Officer*** – Dr. Jordyn Stuart, Ph.D., BS, BS, 12 years of pre-clinical cannabinoid research with emphasis on pharmacology and isolation, purification, and identification of endo- & phytocannabinoids; ~6 years with Greenwich Biosciences (subsidiary of GW Pharma, now Jazz Pharma) Medical Affairs including the launch of Epidiolex®

2. ***Chairman of Advisory Board*** - Dr. Paul Dick, DVM, MSc, Paul Dick & Associates, over 30 years of experience in the pharmaceutical and animal health industries, served on several Boards: Animal Health Institute, President of the Ontario Veterinary Medical Association.

3. ***Interim Chief Operating Officer***- Eddie Francis, MS in Molecular Biology and Oncology. Edward has over 10 years in the natural therapeutic sector assisting companies through early-stage clinical trials in the animal and human health sectors. He has spent 20 years in the private sector successfully building and implementing science technologies and platforms to navigate specific mental health and wellness initiatives.

We have also secured ongoing relationships with trusted legal, regulatory, and compliance advisors who will help move our business forward.

Further Clinical Studies and Collaboration with Neeka Health.

We believe that the path to regulatory approval for CQ-001 and our nutraceutical solution is made simpler by the success of competing products such as Epidiolex® and the experience of our team.

In addition, the nutraceutical iteration of our formula, Mentanine™, is slated for clinical studies to explore its potential across various indications and pave the way for future clinical trials. These studies will occur through a collaboration with Neeka Health, which has extensive clinical trial expertise, and the NHL Alumni Association. Neeka has agreed to supervise multiple studies on former professional athletes. Importantly, Neeka has conducted extensive due diligence on over 100 companies in the cannabinoid space, and CanaQuest was the only company chosen to perform these studies. Neeka was founded by Dr. Amin Kassam, a world-renowned neurosurgeon.

The Regulatory Approval Process.

The Company's experienced management team plus external advisors and consultants are expected to be instrumental in guiding the company through the complex regulatory approval process. We are currently seeking an initial interim raise of $2.5 M to complete specific milestones that will position the Company for a subsequent larger raise to fund the Clinical Trials.

The process to obtain regulatory drug approval will involve the steps outlined in the Regulatory Drug Approval Process. The initial interim raise will allow the company to develop a detailed plan to address these step to minimize, as much as possible, the projected time required to receive drug approval.

Regulated Drug Approval Process.

1. *Pre-Clinical Studies*: Conduct extensive pre-clinical studies to gather data on safety, efficacy, and the ability to enable lower dosages and reduced side effects of CQ-001.
2. *Investigational New Drug (IND) Application*: Submit an IND application to Health Canada and the US FDA, including detailed information on the drug and pre-clinical study results.
3. *Clinical Trials*: Conduct Phase I - IV clinical trials to assess safety, efficacy, dosage, and long-term effects of CQ-001. Note: Based on the current information, we expect the initial trial will be brief Phase II trial to establish dosing followed by a Phase III trial to receive final approval.
4. *Priority Review Status (Health Canada)*: Apply for expedited review, aiming for a 24-month approval timeline.
5. *Orphan Drug Status (US FDA)*: Seek Orphan Drug Status for benefits like tax credits and market exclusivity, with a projected approval timeline of 3 years.
6. *New Drug Submission (NDS) to Health Canada*: Submit comprehensive clinical trial data and proposed labeling for Health Canada review.

7. New Drug Application (NDA) to US FDA: Provide detailed clinical trial data and manufacturing details for FDA review.
8. *Regulatory Review and Approval*: Engage with regulatory agencies, addressing any inquiries to achieve approval.
9. *Post-Marketing Surveillance*: Monitor the drug's safety and efficacy post-approval and report any adverse events.

Nutraceutical Formulation Approval Process.

1. *Pre-Clinical Studies*: Conduct studies to gather initial safety and efficacy data specific to nutraceutical use.
2. *Regulatory Compliance*: Ensure the formulation meets regulatory requirements for nutraceuticals, including safety standards and labeling regulations in North America.
   The establishment of a regulatory process for nutraceuticals is in the development stage by regulators in North America; therefore, the Company will be accumulating data to move forward as soon as the regulatory regime is approved. If the regulatory process for a cannabidiol based product, as a nutraceutical, is not established in a timely fashion then we will be positioned to initiate the process to seek approval for a drug candidate to address the indications identified from data derived from the clinical studies, which will be undertaken.
3. *Clinical Studies*: Conduct additional studies, if necessary, to support health claims and demonstrate the formulation's benefits.
4. *Product Registration*: Register the nutraceutical formulation with relevant regulatory bodies, ensuring compliance with all necessary regulations.
5. *Market Launch*: Plan and execute the market launch, including strategies for distribution, marketing, and ongoing regulatory compliance.

By following these steps, we aim to achieve regulatory approval and bring our innovative CQ-001 formulation to the market as a regulated drug, and a less potent nutraceutical product to the over the counter market. However, it is important to acknowledge the inherent risks and uncertainties involved in this process. The pathway to regulatory approval is complex, and the associated costs and timelines can be unpredictable. Factors such as regulatory requirements, clinical trial outcomes, and potential unforeseen challenges can impact the approval process.

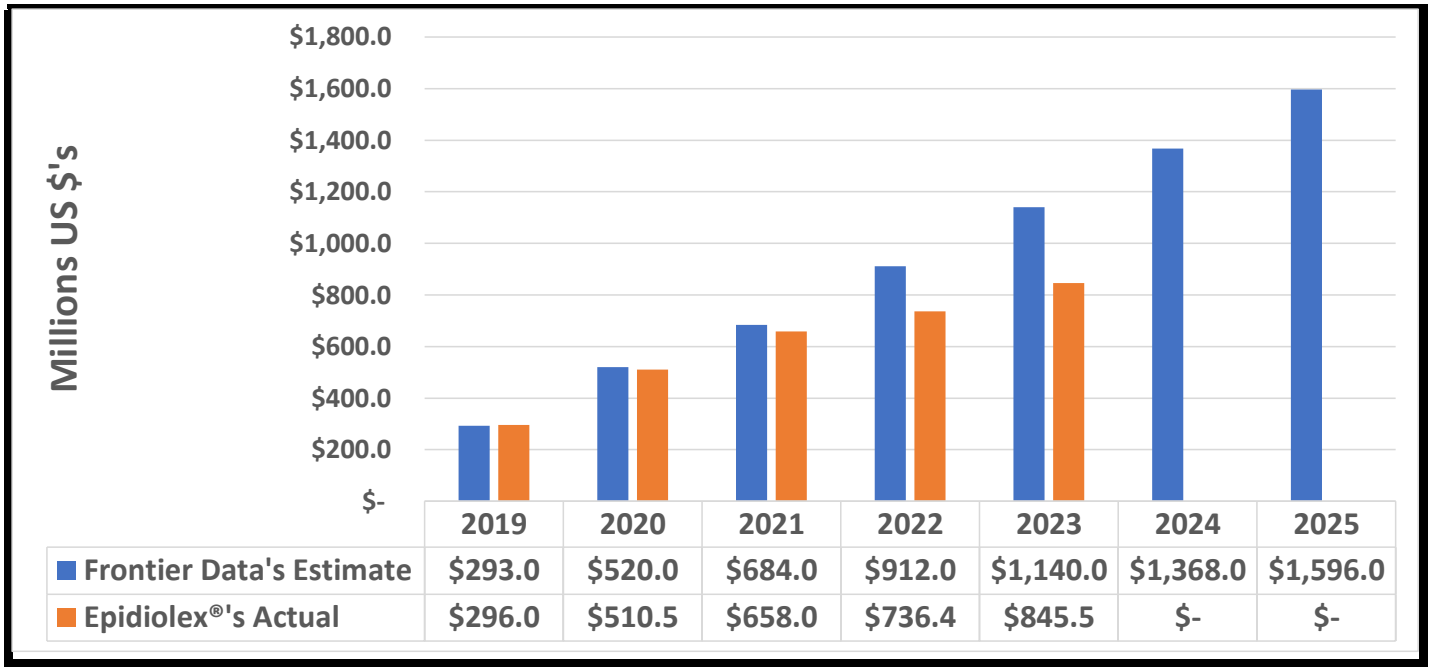
Moreover, while we are confident that with the right level of funding and support from our experienced team, these goals are reasonably achievable, although there are no guarantees of success. The approval process involves rigorous evaluation by regulatory bodies, and any delays or negative results could affect our ability to bring CQ-001 to market as planned.

Investors should consider these risks and uncertainties when evaluating our prospects. Despite these

challenges, we believe our comprehensive strategy, coupled with the expertise of our management and consultants, positions us well to navigate the regulatory landscape and ultimately achieve our objectives.

THE MARKET the CQ-001 drug candidate will initially be focussed on specific epileptic syndromes as there is a lower risk to achieve regulatory approval and there is a well-defined market.

- Frontier Data Group's, at the time that Epidiolex® received regulatory approval, estimate the annual sales could achieve approximately $1.6 Billion by 2025. The following chart illustrates the annual projected sales along with the actual sales achieved for Epidiolex®. Currently, Epidiolex® is the only CBD based drug that has achieved regulatory approval by the US FDA, for specific epileptic syndromes.



	2019	2020	2021	2022	2023	2024	2025
Frontier Data's Estimate	$293.0	$520.0	$684.0	$912.0	$1,140.0	$1,368.0	$1,596.0
Epidiolex®'s Actual	$296.0	$510.5	$658.0	$736.4	$845.5	$-	$-

The actual Epidiolex® revenue is sourced from SEC filings made by GW Pharmaceuticals and by Jazz Pharmaceuticals.

Prior Awards and Recognition.

CanaQuest has been awarded Endocannabinoid Therapeutics Development Company of the Year 2024, in the ninth annual Healthcare and Pharmaceutical Awards by Global Health & Pharma, UK.

Current Operations:

The following is the review and analysis of the statement of operations for Q -1, stated in Canadian dollars.

Analysis of Financial Information

	Three months ended June 30,		
	2024	**2023**	**Change**
Revenue	**$ 13,212**	$ -	$ 13,212
Operating costs:			
Application and membership fees	**2,628**	2,504	124
Business development	**-**	15,481	(15,481)
Clinical study	**88,075**	-	88,075
Depreciation	**186**	1,231	(1,045)
Interest	**5,384**	1,069	4,315
Management fee	**150,000**	-	150,000
Occupancy	**12,100**	12,726	(626)
Office	**2,051**	1,361	690
Professional fees	**13,048**	13,580	(532)
Research and development	**-**	6,638	(6,638)
Stock-based compensation	**26,291**	11,359	14,932
Telephone and internet	**946**	1,540	(594)
Travel	**658**	3,682	(3,024)
Total operating expenses	**301,367**	71,171	230,196
Loss from operations	**(288,155)**	(71,171)	(216,984)
Other income (expense):			
Change in fair value of warrant derivative liability	**(43,337)**	**(25,304)**	(18,033)
Interest expense	**(6,634)**	**(12,140)**	5,506
Total other income (expense)	**(49,971)**	(37,444)	(12,527)
Net loss	**$ (338,126)**	$ (108,615)	$ (229,511)
Net loss per share - basic and diluted	**$ (0.02)**	$ (0.01)	
Weighted average number of common shares outstanding - basic and diluted	**21,211,377**	20,656,377	

Comments and highlights on the Statement of Operations.

The recognition of revenue for the quarter represents the proceeds received under the terms of a sublease of a portion of the current office space.

The increase of $150,000 for the management fee is paid as equity to manage the cash and the Stock based compensation represents the amortization of options in accordance with the Black Scholes model. The management fee has been regularized; therefore, the allocation is made by quarter. In the past the management fee has been allocated as periodic lump sums and consequently there was no allocation on the Q-1 financial statements for 2023-2024. An item of note for the management fees is that the build out of the management structure for the Company is being covered by the allocation of equity, again this is an indication that the personnel being added are a strong supporters of the Company and willing to accept equity as compensation to facilitate the Company's plans to move forward with the initial interim capital raise.

The Clinical Study fee is to secure the participation of the NHL Alumni in the Clinical Study that is in the planning stages. This study will start moving forward once funding has been received under the initial interim capital raise which is just being launched. This in effect represents the research expenditure for Q-1, it is just that the nature of the research expenditure is identified as a separate item.

The business development expense has been scaled back to allocate the resources to the planning required to launch the initial interim capital raise of US $2.5 M, which is outlined in the following comments.

The other income (expenses) section of the statement represented the "Change in fair value of warrant derivative liability" which is a reference to the amortization of warrant liabilities for warrants which were issued in US dollars. The maturity date for the specific warrants was extended for one further year; therefore, the liability for the extension was recorded and will be amortized over the coming year or until the warrants are exercised. This does not require the expenditure of cash.

The interest expense is a calculation of the interest on the fixed rate convertibles. The fixed rate convertibles are recorded in the section on the Term Loans and the accrued interest is recorded in the "Accounts payables and accrued liabilities". The reduction in the accrued interest expense is the result of the maturity of some of the Fixed Rate Convertible Loans which have been recorded as Equity to be Issued. To highlight the accrued interest is converted to equity at a fixed rate.

The following is a review and analysis of the current liabilities section of the Balance Sheet.

Analysis of Current Liabilities

	Three months ended June 30,		
	2024	2023	Change
Current liabilities			
Accounts payable and accrued liabilities	$ 796,298	$ 786,169	$ 10,129
Advances related parties	165,816	159,437	6,379
Term loans	324,505	375,809	(51,304)
Warrant derivatives liabilities	43,508	171	43,337
Total	$ 1,330,127	$ 1,321,586	$ 8,541

Comments and highlights of the current liabilities section of the Balance Sheet.

Accounts payable and accrued liabilities section – this component of the balance sheet is being managed in the following manner:

Accrued Interest associated with the convertible loans to be converted to equity -	$ 38,415
Payable to be converted to Equity -	97,815
Payables with agreement on a flexible extended payment program, as funds are available -	196,665
Payables for short term advances which are designated as a Use of Proceeds in the Initial Interim Raise -	463,403
	$ 796,298

Advances related parties – this is a recording of the advances made by the management to cover the short-term cash flow requirements to facilitate the initial interim capital raise. The current amount of these advances is which does not have a specific time frame for payment is - $165,816

Term Loans – the schedule of individual term loans is detailed on the following schedule.

Schedule of Term Loans

Holder of Term Loan	Interest Rate	Maturity	**June 30, 2024**	March 31, 2024
i.) Related party	Nil	not specified	**$ 52,000**	$ 52,000
ii.) Government of Canada	5%	December 31, 2026	**60,000**	60,000
iii.) Vital Link Financial Services	10%	May 24, 2024	**-**	51,304
iv.) Clarence Group	10%	July 5, 2024	**65,190**	65,190
v.) Vital Link Financial Services	10%	September 1, 2024	**78,996**	78,996
vi.) Sam Hancock	10%	December 20, 2024	**27,306**	27,306
vii.) Growth St. Louis Fund	10%	March 23, 2025	**41,013**	41,013
Total			**$ 324,505**	$ 375,809

The Related party Term Loan will be paid out at the time that the Company has adequate cash from larger subsequent capital raises, that is there is not a requirement for immediate payment.

The Government of Canada Term Loan available to the Company during the COVID pandemic, and the principal balance will not be due until December 31, 2026. The Company started to pay interest at the rate of 5% per annum in January of 2024.

The remaining Term Loans are fixed rate convertibles with accrued interest and principal balance converted into equity at maturity.

Warrant derivative liabilities – this will be amortized over the coming year as the "Change in fair value of warrant derivative liability" and there is not a requirement for a cash payment, the amount is $ 43,508

Planned Funding Initiative:
The Company has launched an initial interim capital raise of US $2,500,000 ($2.5 M) with an overall objective of positioning the Company to initiate clinical trials. As the individual milestones established for this initial interim raise are achieved, the planning will be initiated to undertake a larger subsequent raise to support the ongoing planned clinical trials required to achieve drug approval for the Company's drug candidate(s).

The milestones on the Use of Proceeds established for the current initial interim US $2.5 M capital raise are as follows:

- Further refine the formulation and delivery methodology to maximize the bioavailability, thus making the drug candidate more acceptable for a patient. To date significant increases in the bioavailability has been achieved, further increases will significantly increase the opportunities. This would position CQ-001 to go directly to a Phase II/III Clinical Trial,

- Development of a detailed action plan to achieve the regulatory approval of CQ-001 and initiate the process for the new drug approval (NDA) for CQ-001. In effect, this is doing the preparation work to get to a clinical trial as quickly as possible once the first milestone is achieved,
- Development of a detailed action plan covering the regulatory process and the field trial steps to achieve regulatory approval for the veterinary drug candidate. The plan outline has been developed; therefore, this milestone is building the accumulated information on the advice of the appropriate external experts which will allow for the preparation work to get the veterinary pharmaceutical drug candidate to a field trial once the delivery method has been finalized as part of the first milestone,
- Complete the steps to be listed on the OTCQB trading platform. This milestone is initiating the work on the required legal and audit work to list on the OTCQB trading platform. The Company was previously listed on the OTCQB trading platform with the required audited financial statement, but management chose to delist in order to conserve cash to build the appropriate infrastructure to support the development of a drug candidate to take through the regulatory process.
- Further advance the evaluation study with the NHL Alumni and Neeka Health. The further preparation being completed on this milestone will allow the project to move forward more quickly as soon as the processes are finalized in the first milestone. To date most of the work has been completed on developing the appropriate protocols, the next steps will be initiated as soon as the first milestones in achieved.

B. List any subsidiaries, parent company, or affiliated companies.

CanaQuest has one wholly owned subsidiary – ADC BioMedical Corporation (ADC).

C. Describe the issuers' principal products or services.

At present the Company is pre-revenue. The Company is initiating plans to sell products, as outlined in the response to part A, in the very near future. Additionally, the Company is initiating plans to undertake Clinical Studies and Clinical Trials.

5) Issuer's Facilities

The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of

their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

The Company initially signed a five-year operating lease, expiring November 2018, for Unit 37-4120 Ridgeway Drive in Mississauga, Ontario, which consists of 2,224 square feet of office and production facilities. The rental for this facility was extended for 3 years, expiring November 30, 2021. The lease has been extended for an additional 5 years, expiring November 2026. The space is adequate as an office space and for testing drug delivery methodologies. The current monthly base rental of the current facility is $2,650 plus the Company's estimated portion of property taxes and operating expenses which are currently $1,383 per month. At present the Company subleases a good portion of this facility in order to manage the cash flow as plans are developed for the initial interim raise of $2.5 M.

The manufacturing as well as testing of the Company's products will be undertaken off premise by specialty pharmaceutical companies which are fully compliant for manufacturing and testing of pharmaceutical drugs.

6) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.
If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Name of Officer/Director or Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership % of Class Outstanding	Note
Paul Ramsay	CEO & Chairman	Mississauga, Ontario, Canada	3,507,547	Common	16.38%	

Richard Rusiniak	President & Chief Technology Officer	Toronto, Ontario Canada	3,834,068	Common	17.91%	
W Cameron McDonald	Director	Westmount, Quebec, Canada	N/A	N/A	N/A	
Ross Eastley	CFO & Director	Toronto, Ontario Canada	755.538	Common	3.53%	
Teewinot	Owner more than 5%	Florida, USA	2,541,781	Common	11.87%	**(1)**
John Clarke	Owner more than 5%	New York, USA	1,549,538	Common	7.24%	

1. There is no controlling shareholder of Teewinot, a private corporation. The largest shareholder is Tuatara Capital. The contact for Teewinot is Chris Phillips.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

No

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

No

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission,

a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

No

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

No

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

No

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

No

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.
Securities Counsel (must include Counsel preparing Attorney Letters).

Securities Counsel

Sharon D. Mitchell, Attorney at Law
SD Mitchell & Associates, PLC
829 Harcourt Rd.
Grosse Pointe Park, Michigan 48230
Tel: (248) 515-6035

Accountant

Philip Clark Professional Corporation
1246 Upper Village Drive
Mississauga, Ontario
Canada L5E 3H6

Investor Relations

Paul Ramsay
CEO, CanaQuest
Tel: 416 – 704 - 3040
Email: info@canaquest.com or paul@canaquest.com
Website: https://canaquest.com

All other means of Investor Communication:

Twitter: _____
Discord: _____
LinkedIn https://www.linkedin.com/in/paul-ramsay-4022842/
Facebook: https://www.facebook.com/CANQF/

[Other] _____

Other Service Providers

Provide the name of any other service provider(s) **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: N/A
Firm: N/A
Nature of Services: N/A
Address 1: N/A
Address 2: N/A
Phone: N/A
Email: N/A

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: **Ross Eastley, CA**
Title: **Chief Financial Officer**
Relationship to Issuer: **Officer and Director**

B. The following financial statements were prepared in accordance with:

☐ IFRS
☒ U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: **Ross Eastley, CA**
Title: **Chief Financial Officer**
Relationship to Issuer: **Officer and Director**
Describe the qualifications of the person or persons who prepared the financial statements:[5] **Chartered Accountant**

Provide the following qualifying financial statements: **Attached as Exhibit A**

- Audit letter, if audited;
- Balance Sheet;

[5] The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- Financial Notes

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be "machine readable". Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Paul Ramsay certify that:

1. I have reviewed this Disclosure Statement for CanaQuest Medical Corporation;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 12, 2024 [Date]

/s/ Paul Ramsay [CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer*:*

I, Ross Eastley certify that:

1. I have reviewed this Disclosure Statement for CanaQuest Medical Corporation;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 12, 2024 [Date]

/s/ Ross Eastley [CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

EXHIBIT A

CanaQuest Medical Corporation
Consolidated Condensed Interim Financial Statements (unaudited)
for Quarter 1

June 30, 2024

August 9, 2024

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

	June 30, 2024	March 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	**$ 60**	$ 78
Accounts receivable, net	**23,280**	23,226
Prepaid expenses	**98,404**	189,107
Total current assets	**121,744**	212,411
Equipment and leasehold improvements, net	**2,297**	2,483
Total assets	**$ 124,041**	$ 214,894
Liabilities and Stockholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 796,298**	$ 786,169
Advances related parties	**165,816**	159,437
Term loans	**324,505**	375,809
Warrant derivative liabilities	**43,508**	171
Total current liabilities	**1,330,127**	1,321,586
Going Concern		
Commitments and Contingencies		
Stockholders' Deficiency:		
Common stock; no par value; unlimited shares authorized; 21,211,377 shares issued and outstanding at June 30, 2024 and (March 31, 2024 - 21,211,377), respectively	**6,146,896**	6,146,896
Additional paid-in capital	**4,822,143**	4,645,852
Equity to be issued	**898,359**	835,918
Accumulated deficiency	**(13,073,484)**	(12,735,358)
Total stockholders' deficiency	**(1,206,086)**	(1,106,692)
Total liabilities and stockholders' deficiency	**$ 124,041**	$ 214,894

See accompanying notes

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

	Three months ended June 30, 2024	2023
Revenue	**$ 13,212**	$ -
Operating costs:		
Application and membership fees	**2,628**	2,504
Business development	**-**	15,481
Clinical study	**88,075**	-
Depreciation	**186**	1,231
Interest	**5,384**	1,069
Management fee	**150,000**	-
Occupancy	**12,100**	12,726
Office	**2,051**	1,361
Professional fees	**13,048**	13,580
Research and development	**-**	6,638
Stock-based compensation	**26,291**	11,359
Telephone and internet	**946**	1,540
Travel	**658**	3,682
Total operating expenses	**301,367**	71,171
Loss from operations	**(288,155)**	(71,171)
Other income (expense):		
Change in fair value of warrant derivative liability	**(43,337)**	(25,304)
Interest expense	**(6,634)**	(12,140)
Total other income (expense)	**(49,971)**	(37,444)
Net loss	**$ (338,126)**	$ (108,615)
Net loss per share - basic and diluted	**$ (0.02)**	$ (0.01)
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, 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 period					(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)
Stock-based compensation			**26,291**			26,291
Equity to be issued				**62,441**		62,441
Deferred share units issued for compensation			**150,000**			150,000
Net Loss for the period					**(338,126)**	(338,126)
Balance, June 30, 2024	**21,211,377**	**$ 6,146,896**	**$ 4,822,143**	**$ 898,359**	**$ (13,073,484)**	**$ (1,206,086)**

See accompanying notes

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

	Three months ended June 30, 2024	2023
Cash Flows from Operating Activities:		
Net loss for the year	**$ (338,126)**	$ (108,615)
Adjustments to reconcile net loss to net cash used in operating activities		
Non-cash interest	**6,634**	12,140
Depreciation	**186**	1,231
Stock-based compensation	**26,291**	11,359
Deferred share units issued for compensation	**150,000**	-
Change in fair value of warrant derivative liability	**43,337**	25,304
Change in operating assets and liabilities:		
Prepaid expenses	**90,703**	(40,740)
Prepaid manufacturing costs	**-**	5,003
Accounts receivable	**(54)**	450
Accounts payable and accrued expenses	**3,495**	(1,308)
Net cash used in operating activities	**(17,534)**	(95,176)
Cash Flows from Financing Activities:		
Advances from related parties	**7,375**	92,184
Repayment to related parties	**(996)**	(16,862)
Conversion of Term Loans	**(51,304)**	(75,115)
Shares issued and to be issued	**62,441**	90,850
Net cash provided (used in) by financing activities	**17,516**	91,057
Net change in cash and cash equivalents	**(18)**	(4,119)
Cash and cash equivalents, beginning of year	**78**	4,098
Cash and cash equivalents, end of year	**$ 60**	$ (21)
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest paid	**$ 5,384**	$ 1,069
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 condensed interim 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 condensed interim 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 June 30, 2024, the Company has a working capital deficiency of $1,208,383 and an accumulated deficit of $13,073,484. 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 condensed interim financial statements of the Company for the period ended June 30, 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 June 30, 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, June 30, 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 June 30, 2024, and 2023, the basic loss per share was equal to diluted loss per share as there were no dilutive securities.

As of June 30, 2024, and March 31, 2024, 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:

	June 30, 2024	March 31, 2024
Common stock issuable upon conversion of convertible notes and settlement of warrants	11,844,382	3,983,431
Common stock issuable to satisfy equity to be issued obligations	2,251,330	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	11,365,165	9,523,840
Total	27,895,877	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

	June 30, 2024		March 31, 2024	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Computer equipment	$ 8,458	$ 6,161	$ 8,458	$ 5,975
Production equipment	83,530	83,530	83,530	83,530
Leasehold improvements	42,290	42,290	42,290	42,290
Total	$ 134,278	$ 131,981	$ 134,278	$ 131,795
Net carrying amount		$ 2,297		$ 2,483

During the 3-month period ended June 30, 2024, the Company recorded total depreciation of $186 and (2023 - $1,231), respectively on the consolidated condensed interim statements of operations.

5) Summarized Schedule of Term loans

Schedule of Term Loans

Holder of Term Loan	Interest Rate	Maturity	**June 30, 2024**	March 31, 2024
i.) Related party	Nil	not specified	**$ 52,000**	$ 52,000
ii.) Government of Canada	5%	December 31, 2026	**60,000**	60,000
iii.) Vital Link Financial Services	10%	May 24, 2024	**-**	51,304
iv.) Clarence Group	10%	July 5, 2024	**65,190**	65,190
v.) Vital Link Financial Services	10%	September 1, 2024	**78,996**	78,996
vi.) Sam Hancock	10%	December 20, 2024	**27,306**	27,306
vii.) Growth St. Louis Fund	10%	March 23, 2025	**41,013**	41,013
Total			**$ 324,505**	$ 375,809

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 3-month period ended June 30, 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 3-month period ended June 30, 2024, the Company recorded interest expense of $1.265 (2023 - $Nil) respectively, on the consolidated annual statements of operations.

iii.) 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 3-month period ended June 30, 2024, the Company recorded interest expenses of $806, (2023 - $1,331), on the consolidated annual statements of operations. At maturity the company exercised the option to convert the principal balance ($51,304) plus accrued interest ($10,773) for a total of $62,077 to 163,360 common share equity at $0.38 per share. The transaction is recorded as equity to be issued on the consolidated condensed interim statements of operations.

iv.) 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 June 30, 2024, the Company recorded interest expenses of $1,788, (2023 - $1,625) respectively, on the consolidated annual statements of operations.

v.) 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 3-month period ended June 30, 2024, the Company recorded interest expenses of $2,166, (2023 - $1,969) respectively, on the consolidated annual statements of operations.

vi.) 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 3-month period ended June 30, 2024, the Company recorded interest expenses of $749, (2023 - $681) respectively, on the consolidated annual statements of operations.

vii.) 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 3-month period ended June 30, 2024, the Company recorded interest expenses of $1,125, (2023 - $1,023) respectively, on the consolidated annual statements of operations.

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 three-year extension for the June 21, 2017, warrants plus the July 25, 2017, warrants to June 21, 2025, and July 25, 2025, respectively. During the current quarter the warrants were extended for a further year to 2025. The components of the convertible note derivative liabilities and warrant derivative liabilities as of June 30, 2024, and March 31, 2024, respectively are:

(Stated in Canadian Dollars)

Financing giving rise to derivative financial instruments	June 30, 2024 Indexed Shares	June 30, 2024 Fair Value	March 31, 2024 Indexed Shares	March 31, 2024 Fair Value
Warrant derivative liabilities:				
June 21, 2017	$ 200,000	$ 21,618	$ 200,000	$ 30
July 25, 2017	200,000	21,890	200,000	141
	$ 400,000	$ 43,508	$ 400,000	$ 171

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.

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 June 30, 2024, and March 31, 2024, 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 June 30, 2024, and March 31, 2024, 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.

(Stated in Canadian Dollars)

	Fair Value at June 30, 2024	Fair Value Measurement Using Level	Level 2	Level 3
Derivative liabilities	$ 43,508	$ -	$ -	$ 43,508

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:

	June 30, 2024	March 31, 2024
Stock Price	$0.0838 USD	$0.10 USD
Risk free rate	4.71%	4.53% to 4.73%
Expected volatility	460.53% to 482.02%	58.08% to 69.08%
Conversion/Exercise price	$0.50 USD	$0.50 USD
Expected dividend rate	0%	0%
Expected life (in years)	0.98 – 1.07	0.22 – 0.32

The following table represents the Company's warrant derivative liability activity for the years ending June 30, 2024, and March 31, 2024, respectively:

	June 30, 2024	March 31, 2024
Warrant derivative liability balance, beginning of period	$ 171	$ 45,446
Issuance of derivatives, during the period	-	-
Change in fair value of derivative liability, during the period	43,337	(45,275)
Warrant derivative liability balance, end of period	$ 43,508	$ 171

(Stated in Canadian Dollars)

As at, June 30, 2024, the following warrants were outstanding:

	Expiration Date	Number of Warrants	Warrants Exercisable: Number of Warrants Exercisable	Warrants Exercisable: Weighted Average Exercise Price
i.)	June 21, 2025	200,000	200,000	USD $0.50 CDN $0.68
ii.)	July 25, 2025	200,000	200,000	USD $0.50 CDN $0.68
iiii.)	October 26, 2024	1,225,781	1,225,781	CDN $0.75
iv.)	June 1, 2025	41,669	41,669	CDN $0.41
v.)	November 30, 2024	33,335	33,335	CDN $0.39
vi.)	April 20, 2025	100,000	100,000	CDN $0.38
vii.)	August 18, 2024	40,475	40,475	CDN $0.37
viii.)	September 28, 2024	103,335	103,335	CDN $0.38
ix.)	October 18, 2024	100,000	100,000	CDN $0.36
x.)	February 25, 2025	100,000	100,000	CDN $0.38
xi.)	May 24, 2025	66,667	66,667	CDN $0.38
xii.)	July 5, 2024	83,333	83,333	CDN $0.39
xiii.)	September 1, 2024	100,000	100,000	CDN $0.39
xix.)	December 20, 2024	33,333	33,333	CDN $0.41
xx.)	March 23, 2025	50,000	50,000	CDN $0.40
xx.)	October 27, 2025	430,000		CDN $0.26
xxi.)	June 1, 2026	8,000,000	1,500,000	CDN $0.07
	Balance June 30, 2024	10,907,928	3,977,928	CDN $0.41

The continuity of warrants for the year ended June 30, 2024, as follows:

	Number of Warrants
Balance, March 31, 2024	2,477,928
Issued	8,430,000
Balance, June 30, 2024	10,907,928

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, 2025. During the year, the Board approved further extension to June 21, 2025.

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, 2025. During the year, the Board approved a further extension to July 25, 2025.

Equity to be issued:

As of June 30, 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 June 30, 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 June 30, 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 June 30, 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 June 30, 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.

As of June 30, 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 June 30, 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 June 30, 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 June 30, 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.

As of June 30, 2024, the Company is obligated to issue 163,360 shares of common stock valued at $62,077, under the terms of a Term Loan which matured on May 24, 2024.

On June 30, 2024, the Company is obligated to issue 17,000 common stock valued at $364 as compensation for a short-term advance made to the Company.

(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 3,181,707 as of June 30, 2024 (March 31, 2024 – 3,098,457).

(Stated in Canadian Dollars)

The activities in options outstanding are as noted below:

	Number of Options	Weighted Average Exercise Price
Balance, March 31, 2024	2,435,000	$ 0.37
Issued	-	$ -
Exercised	-	$ -
Balance, June 30, 2024	2,435,000	$ 0.37

The following table presents information relating to stock options outstanding and exercisable as of June 30, 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	0.33	540,000	$ 0.15	0.33
$ 0.19	290,000	0.54	290,000	$ 0.19	0.54
$ 0.50	150,000	0.56	150,000	$ 0.50	0.56
$ 0.40	180,000	0.50	180,000	$ 0.40	0.50
$ 0.40	330,000	2.33	330,000	$ 0.40	2.33
$ 0.41	165,000	3.40	165,000	$ 0.41	3.40
$ 0.55	780,000	4.33	285,000	$ 0.55	4.33
$ 0.37	2,435,000	2.16	1,940,000	$ 0.33	1.61

During the 3-month period ended June 30, 2024, the Company recorded $26,291, (2023 – $11,359), 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, 2024	9,523,840
Granted, Deferred Share units	365,310
June 30, 2024	11,365,165

(Stated in Canadian Dollars)

11,365,165 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.

During the 3-month period ended June 30, 2024, the Company recorded 365,310 (2023 – Nil), respectively for deferred share units valued at $150,000, (2023 - $ Nil), respectively). The deferred share units are recorded as additional paid-in capital in the consolidated condensed interim 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 June 30 are:

2025	$	35,362
2026	$	50,180
2027	$	43,725

For the 3-month period ended June 30, 2024, occupancy net costs related to this lease were $12,100, (2023 – $12,726), respectively.

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 June 30, 2024, and March 31, 2024, advances due to related parties are $165,816, and $159,437, 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 June 30, 2024, the Company had cash of $60 (March 31, 2024, available - $78) to settle current

liabilities of $1,330,127 (March 31, 2024 - $1,321,586). All of the Company's financial liabilities other than the warrant liability of $43,508 (March 31, 2024 - $171), the term loans of $324,505 (March 31, 2024 - $375,809), and the Advances from related parties are $165,816 (March 31, 2024 - $159,437) 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, June 30, 2022, the Company held cash of $60 (March 31, 2024, cash available - $78) 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 June 30, 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 has launched an initial interim capital raise of $2,500,000 with an overall objective of positioning the Company to initiate clinical trials. As the individual milestones established for this initial interim raise are achieved, the planning will be initiated to undertake a larger subsequent raise to support the ongoing planned clinical trials required to achieve drug approval for CanaQuest's drug candidate(s).