ATOM ENERGY

(An Exploration Stage Company)

Financial Statements

Nine months ended May 31, 2019

(Expressed in Canadian Dollars)

(Unaudited)

ATOM ENERGY INC.
(An Exploration Stage Company)
Statements of Financial Position
(Expressed in Canadian dollars) (unaudited)
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	Notes		May 31, 2019		August 31, 2018
ASSETS					
Current assets					
Cash		**$**	**1,319,808**	$	1,874,003
Receivables	4		**56,303**		4,550
Prepaids			**-**		173,187
Bridge loan receivable	5		**1,343,226**		-
Total current assets			**2,719,337**		2,051,740
Non-current assets					
Loan receivable	5		**391,670**		-
Total non-current assets			**391,670**		-
TOTAL ASSETS		**$**	**3,111,007**	$	2,051,740
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**108,541**	$	205,488
TOTAL LIABILITIES			**108,541**		205,488
SHAREHOLDERS' EQUITY					
Share capital	8		**20,035,199**		14,267,571
Reserves	8		**1,499,834**		1,083,484
Accumulated deficit			**(18,532,567)**		(13,504,803)
TOTAL SHAREHOLDERS' EQUITY		**$**	**3,002,465**	$	1,846,252
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**3,111,007**	$	2,051,740

Nature and continuance of operations (Note 1)

On behalf of the Board of Directors:

"John Veltheer" Director *"D. Barry Lee"* Director

The accompanying notes are an integral part of these financial statements.

ATOM ENERGY INC.
(An Exploration Stage Company)
Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars) (unaudited)

	Notes	**Three Months Ended May 31, 2019**	Three Months Ended May 31, 2018	**Nine Months Ended May 31, 2019**	Nine Months Ended May 31, 2018
EXPENSES					
Bank charges, forex, and interest		**$ 9,979**	$ 502	**$ 10,480**	$ 801
Management and Consulting	9	**319,913**	44,500	**1,175,391**	154,000
Office and miscellaneous		**11,615**	1,212	**11,615**	1,571
Professional fees		**179,804**	10,200	**361,921**	16,700
Rent		**27,243**	4,500	**49,291**	13,500
Regulatory and filing fees		**1,475**	3,780	**14,835**	13,743
Share Based Compensation	8	**416,350**	-	**416,350**	-
Research and Development	2	**428,377**	-	**1,135,482**	-
Transaction Costs	7	**812,494**	-	**1,908,934**	-
Travel		**37,053**	4,329	**37,654**	4,802
Loss before other items		**(2,244,303)**	(69,022)	**(5,121,953)**	(205,116)
Gain (Loss) from Debt Settlement	11	**-**	-	**-**	17,137
Unrealized fair value gain on Bridge loan	5	**41,230**	-	**94,189**	-
Net loss and comprehensive loss for the period		**$ (2,203,073)**	$ (69,022)	**$ (5,027,764)**	$ (187,979)
Basic and diluted loss per common share	6	**$ (0.06)**	$ (0.00)	**$ (0.16)**	$ (0.02)
Basic and diluted weighted average number of common shares outstanding	6	**31,819,090**	17,876,812	**31,037,465**	12,225,974

The accompanying notes are an integral part of these financial statements.

ATOM ENERGY INC.
(An Exploration Stage Company)
Statement of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars) (unaudited)

	Share Capital					
	Number of Shares	**Amount ($)**	**Subscriptions Received ($)**	**Reserves ($)**	**Accumulated Deficit ($)**	**Total ($)**
Balance at August 31, 2017	2,153,357	11,210,073	-	950,784	(12,684,022)	(523,165)
Shares Issued for Private Placement	14,700,000	1,055,000	-	-	-	1,055,000
Shares Issued for Debt Settlement	1,023,455	51,173	-	-	-	51,173
Finder's Fee	-	(60,500)	-	-	-	(60,500)
Subscriptions Received	-	-	1,370,000	-	-	1,370,000
Net loss for the period	-	-	-	-	(187,979)	(187,979)
Balance at May 31, 2018	17,876,812	12,255,746	1,370,000	950,784	(12,872,001)	1,704,528
Balance at August 31, 2018	**26,606,812**	**14,267,571**	**-**	**1,083,484**	**(13,504,803)**	**1,846,252**
Shares Issued for Private Placement	11,587,512	5,767,628	-	-	-	5,767,628
Shares Issued for Finder's	403,429	141,200	-	-	-	141,200
Finder's Fee	-	(141,200)	-	-	-	(141,200)
Share Based Payments	-	-	-	416,350	-	416,350
Net loss for the period	-	-	-	-	(5,027,764)	(5,027,764)
Balance at May 31, 2019	**38,597,753**	**20,035,199**	**-**	**1,499,834**	**(18,532,567)**	**3,002,465**

The accompanying notes are an integral part of these financial statements.

ATOM ENERGY INC.
(An Exploration Stage Company)
Statements of Cash Flows
(Expressed in Canadian dollars) (unaudited)

	Nine Months Ended May 31, 2019 ($)	Nine Months Ended May 31, 2018 ($)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	**(5,027,764)**	(187,979)
Items not affecting cash		
(Gain) Loss on Debt Settlement	**-**	(17,137)
Unrealized fair value gain on Bridge loan	**(94,189)**	-
Share Based Compensation	**416,350**	-
Changes in non-cash working capital items:		
Increase in receivables	**(51,753)**	(3,560)
Decrease in prepaids	**173,187**	-
Increase (decrease) in accounts payable and accrued liabilities	**(96,947)**	(435,634)
Net cash used in operating activities	**(4,681,116)**	(644,310)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on issuance of shares (net of costs)	**5,767,628**	994,500
Subscriptions Received	**-**	1,370,000
Issuance of notes receivable	**(1,640,707)**	-
Net cash provided by financing activities	**4,126,921**	2,364,500
Change in cash during the period	**(554,195)**	1,720,190
Cash, beginning of the period	**1,874,003**	234
Cash, end of the period	**1,319,808**	1,720,424

Supplemental disclosure with respect to cash flows (Note 11)

The accompanying notes are an integral part of these financial statements.

1. Nature and continuance of operations

Atom Energy Inc. (the "Company") was incorporated under the Business Corporations Act (BC) on June 6, 2007. The offices of the Company are located at Suite 830 – 1100 Melville Street, Vancouver, BC V6E 4A6. The Company traded on the NEX board of the TSX Venture Exchange ("NEX") under the ticker symbol 'AGY.H' until May 29, 2018 after which it voluntarily delisted from the NEX. The Company is currently evaluating business acquisition opportunities.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The Company has suspended its exploration and development plans and does not have claim or title to any exploration projects. Current market conditions and volatility combined with the Company's cumulative operating losses cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements were authorized for issue on July 30, 2019 by the Board of Directors of the Company.

2. Significant accounting policies

Basis of presentation

These unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as applicable to the preparation of interim financial statements, including the International Accounting Standard ("IAS") 34 'Interim Financial Reporting' ("IAS 34"). The accounting policies adopted in these interim financial statements are consistent with the accounting policies adopted in the Company's financial statements for the years ended August 31, 2018, and as such, these interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2018.

The preparation of interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates and the exercise of management's judgment in applying the Company's accounting policies. Areas involving a high degree of judgment or complexity and areas where assumptions and estimates are significant to the Company's unaudited interim financial statements are discussed below.

The Company's unaudited interim financial statements have been prepared on a historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The comparative figures presented in these unaudited interim financial statements are in accordance with IFRS. Certain comparative figures may have been reclassified to conform to the current period's presentation.

Significant accounting judgments, estimates and assumptions

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

The preparation of our financial statements requires us to make judgments regarding the going concern of the Company as discussed in Note 1.

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the period.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently re-measured. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Related party transactions

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

Share capital

The Company's common shares are classified as equity instruments.
Incremental costs directly attributable to the issue of new shares or options are charged directly to share capital.

Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company has the intention and sufficient resources to complete development and to use or sell the asset. The expenditure capitalized in respect of development activities includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

In subsequent periods, capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

During the 9 months ended May 31, 2019, the Company incurred $1,135,482 (2018: $Nil) in research fees paid to 6th Wave Innovations Corp. for research into applications for technology owned by 6th Wave Innovations Corp.

Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Income taxes

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

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

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

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the periods presented, comprehensive loss was the same as net loss.

3. New standards, amendments, and interpretations

Changes in accounting policies:

IFRS 9 Financial Instruments

The Company adopted the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of September 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Bridge loan receivable	N/A	FVTPL
Loan receivable	N/A	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net (loss) income.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 will replace IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations on revenue. IFRS 15 establishes a single five-step model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual periods beginning on or after January 1, 2018, with early application permitted. As the Company has no revenue, no impact on the Company's consolidated financial statements is expected.

New standards, amendments, and interpretations not yet effective:

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

i. IFRS 16: Leases. Effective for annual periods beginning on or after January 1, 2019.

The Company does not expect the impact of such changes on the financial statements to be material.

4. Receivables

As at May 31, 2019, the Company's amount receivable of $56,303 (August 31, 2018: $4,550) is comprised of Goods and Services Tax / Harmonized Sales Tax ("GST") due from government taxation authorities.

5. Bridge loan receivable and loan receivable

Bridge Loan Receivable:

During the period ended May 31, 2019, the Company loaned $1,250,000 in the form of a convertible promissory note (the "Bridge Loan") to 6th Wave Innovations Corp. ("6th Wave") that bears interest at 10% compounded monthly and payable on September 7, 2019.

The Bridge Loan is convertible at the option of the Company into Common shares or Series B Preferred shares of 6th Wave at a price equal to the lesser of i) USD $9.00 per share and ii) 80% of the weighted average issue price of an equity financing of 6th Wave. However, should the 6th Wave complete a minimum financing of at least USD $2,000,000, then the entire principal and accrued interest owing under the Bridge Loan will automatically be converted into Common shares or Series B Preferred shares of 6th Wave at a price equal to the lesser of i) USD $9.00 per share and ii) 80% of the weighted average issue price of equity.

The Bridge Loan has been determined to be a hybrid financial instrument comprised of the host debt contract and conversion feature embedded derivative and is therefore carried at fair value. On initial issuance the Company determined the value of the Bridge loan to be equal to the initial transaction price of $1,250,000. As at May 31, 2019 the Company determined the fair value of the Bridge Loan to be equal to the expected cash flow of the loan and accrued interest of $1,343,226.

During the nine month period ended May 31, 2019 the Company recorded a $93,226 unrealized fair value gain on the Bridge loan.

Loan Receivable

On May 22, 2019 the Company extended a $390,707 (USD $285,000) loan to Affinity Farms Inc. ("Affinity"). The loan bears 10% interest compounded annually, is due on May 31, 2022 and is secured by the assets of Affinity.

6. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the period ended May 31, 2019 and 2018 were based on the loss attributable to common shareholders of $5,027,764 (2018: $187,979) and the weighted average number of common shares outstanding of 31,037,465 (2018: 12,225,974).

7. Commitments

On September 11, 2018 the Company entered into an Agreement and Plan of Merger (the "Agreement") with 6th Wave, a private corporation existing under the laws of the State of Delaware, pursuant to which the Company will acquire 100% of the outstanding shares of 6th Wave in exchange for common shares of the Company and cash consideration (the "Merger Transaction"). In connection with the Transaction, the Company intends to apply to list its common shares on the Canadian Securities Exchange ("CSE" or the "Exchange").

6th Wave Innovations Corp. is a development stage nanotechnology company focused on technologies for extraction and detection of target substances at the molecular level.

The closing of the Agreement is contingent upon the Company's shares becoming listed on the Canadian Securities Exchange and on the Company completing an equity financing concurrent with the listing in an amount not less than $10 million (the "Concurrent Financing"), and other standard conditions precedent to be fulfilled prior to the closing of the Merger Transaction (the "Closing").

Following are the significant terms of the Merger Transaction as detailed in the Agreement:

- Aggregate consideration will consist of approximately US$7.7 million, to be settled with a mixture of securities of the Company (with an approximate value of US$6.5 million) and cash of approximately US$1.2 million.

- Securities of the Company issued to 6th Wave shareholders to settle the above consideration will be of the same class issued in the Concurrent Financing and will be valued based on the pricing at which the securities are issued in the Concurrent Financing (the "Concurrent Financing Price"), subject to a cap of CDN$0.60 per unit of securities.

- In the money options and warrants of 6th Wave will be settled with securities of the Company, with the amount by which the options and warrants are in the money being paid by the issue of securities of the Company of the same class issued in the Concurrent Financing, valued at the Concurrent Financing Price.

- Out of the money options of 6th Wave will be cancelled.

- Out of the money warrants of 6th Wave will be converted to warrants at a variety of different strike prices and terms based on the Concurrent Financing Price and the current exercise price of the 6th Wave warrants.

- The Company has extended a Bridge Loan to 6th Wave in the principal amount of $1,250,000 (Note 5) in order to fund operations until the closing of the transaction.

- Pursuant to the Merger Agreement, the Company has agreed to repay approximately US$2.4 million of existing indebtedness of 6th Wave on closing, with an additional US$2.1 million to be repaid over 24 months.

- The closing of the transactions contemplated by the Merger Agreement are subject to an outside date of December 31, 2018, which has been extended by the Company to October 31, 2019, subject to certain conditions including extension payments. The Company has incurred $1,908,934 in transaction fees consisting of extension payments.

- The Merger Transaction is subject to customary regulatory approval.

8. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

Issued share capital

At May 31, 2019 there were 38,897,753 (August 31, 2018: 26,606,812) issued and fully paid common shares and nil preferred shares issued. On August 31, 2017 there were 2,153,357 issued and fully paid common shares and nil preferred shares issued.

Changes in share capital during the period ended May 31, 2019

On May 27, 2019, the Company completed the second tranche of a private placement and issued 2,946,663 common shares at a price of $0.75 per common share for total proceeds of $2,209,997.

On May 6, 2019, the Company completed the first tranche of a private placement and issued 1,333,333 common shares at a price of $0.75 per common share for total proceeds of $1,000,000.

On January 4, 2019, the Company completed the second tranche of a private placement and issued 2,014,286 common shares at a price of $0.35 per common share for total proceeds of $705,000. In connection with the private placement, the Company issued 80,000 common shares to finders with a value of $28,000.

On December 20, 2018, the Company completed the first tranche of a private placement and issued 5,293,230 common shares at a price of $0.35 per common share for total proceeds of $1,852,631. In connection with the private placement, the Company issued 323,429 common shares to finders with a value of $113,200.

Changes in share capital during the year ended August 31, 2018

On June 18, 2018, the Company completed a private placement and issued 8,730,000 common shares at a price of $0.25 per common share for total proceeds of $2,182,500. In connection with the private placement, the Company paid a cash finder's fee of $37,975 and issued 151,900 finder's warrants where each warrant entitles the holder to purchase an additional common share at $0.25 for a period of 12 months.

On January 4, 2018, the Company completed a private placement and issued 6,400,000 common shares at a price of $0.10 per common share for total proceeds of $640,000. In connection with the private placement, the Company paid a cash finder's fee of $60,500 and issued 605,000 finder's warrants where each warrant entitles the holder to purchase an additional common share at $0.125 for a period of 12 months.

On November 16, 2017, the Company completed a debt settlement whereby it issued 1,023,455 units at a price of $0.05 per unit to settle outstanding debts of $51,173. Each unit consisted of one common share and one common share purchase warrant enabling the holder to purchase an additional common share at $0.065 for a period of 12 months.

On November 17, 2017, the Company completed a private placement and issued 8,300,000 units at a price of $0.05 per unit for total proceeds of $415,000. Each unit consisted of one common share and one common share purchase warrant enabling the holder to purchase an additional common share at $0.065 for a period of 12 months. The Company paid no finder's fees in connection with the private placement.

(Expressed in Canadian dollars) (unaudited)

Warrants

The continuity schedule of share purchase warrants is as follows:

	Number of share purchase warrants
Balance, August 31, 2017	10,080,355
Granted	-
Expired	-
Balance, August 31, 2018	**10,080,355**
Granted	**-**
Expired	**(605,000)**
Balance, May 31, 2019	**9,475,355**

A summary of the Company's outstanding and exercisable warrants as at the end of the period is as follows:

Weighted average exercise price	Remaining contractual life	Number of warrants outstanding	Expiry Date
\$0.065	0.46 years	1,023,455	November 16, 2019 (1)
\$0.065	0.47 years	8,300,000	November 17, 2019 (1)
\$0.25	0.05 years	151,900	June 18, 2019
\$0.07	**0.46 years**	**9,475,355**	

(1) On October 26, 2018, the Company extended the expiry date of these warrants by one year.

The 756,900 finder's warrants granted during the year ended August 31, 2018 were valued at \$132,700 based upon the Black-Scholes Method using the following weighted average assumptions:

Risk-free interest rate	1.6%
Expected dividend yield	0%
Share price	\$0.29
Exercise price	\$0.15
Expected stock price volatility	100%
Expected life	1 year

Stock options

The Company has adopted a "rolling" stock option plan (the "Plan"), pursuant to which a maximum of 10% of the issued and outstanding common shares of the Company, less any outstanding stock options previously granted, will be reserved for issuance as options and will be granted at the discretion of the Board of Directors to eligible optionees under the Plan. Stock options granted vest at the discretion of the Board of Directors. The options can be granted for a maximum term of 10 years.

On October 22, 2018 the Company granted a total of 2,650,000 options to directors and consultants. The options are exercisable at a price of \$0.40 per share and will expire on October 22, 2023. One third of the options will vest after 6 months, with an additional one third to vest every 6 months thereafter. These options were valued at \$681,300 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 2.4%, expected dividend yield 0%, share price \$0.35, Exercise price \$0.40, volatility 100%, and expected life 5 years.

During the period ended May 31, 2019, the Company recognized \$416,350 (2018 - \$nil) in share-based compensation vested during the period.

(Expressed in Canadian dollars) (unaudited)

The continuity schedule of stock options is as follows:

	Number of stock options	Weighted Average Exercise Price ($)
Balance, August 31, 2017 and 2018	**-**	**-**
Cancelled	-	-
Granted	2,650,000	0.40
Exercised	-	-
Balance, May 31, 2019	**2,650,000**	**0.40**

A summary of the Company's outstanding and exercisable options at the end of the period is as follows:

Weighted average exercise price	Remaining contractual life	Number of options outstanding	Expiry Date
$0.40	4.40 years	2,650,000	October 22, 2023
$0.40	**4.40 years**	**2,650,000**	

9. Related party transactions

The Company entered into the following transactions with key management personnel, being those persons determined as having authority and responsibility for planning, directing and controlling the activities of the Company. Key management includes the Company's board of directors and executive officers.

	Nine Months ended	
	May 31, 2019	May 31, 2018
Fees paid or accrued to the CFO (1)	$ 27,500	$ 17,500
Fees paid or accrued to the CEO (1)	$ 72,500	$ 67,500
Share-based compensation for options granted to an Officer (John Veltheer)	$ 23,567	-
	$ 123,567	$ 85,000

(1) Included in Management and Consulting fees

As at May 31, 2019, $Nil (August 31, 2018: $Nil) is due to related parties.

There are no management contracts in place for either the CEO or the CFO.

10. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or adjust the amount of cash and equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended May 31, 2019 or the year ended August 31, 2018. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian dollars) (unaudited)

11. Supplemental disclosure with respect to cash flows

	Nine months ended	
	May 31, 2019	**May 31, 2018**
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

During the period ended May 31, 2018 the Company negotiated a reduction of $17,137 in accounts payable for no consideration.

12. Financial risk management

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels, with cash classified as Level 1:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at May 31, 2019 the carrying values of receivables, loans receivable, accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity or market rates of interest.

The Company is exposed to Credit, Liquidity and Market risks from its use of financial instruments, as follows:

Credit risk

The Company's credit risk is primarily attributable to cash, receivables, and loans receivable. The Company has no significant concentration of credit risk arising from operations. Cash consists of accounts at a reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances of up to $100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with a high-quality financial institution. The Company's primary exposure to credit risk is on its loans receivable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

At May 31, 2019, the Company had a cash balance of $1,319,808 (August 31, 2018: $1,874,003) to settle accounts payable and accrued liabilities of $108,542 (August 31, 2018: $205,488).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. See Note 1 for further details.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest risk - The Company has cash balances and notes payable bearing interest at 1.5% per month. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. At May 31, 2019, the Company had $nil in investment-grade short-term deposit certificates.

b) Foreign currency risk - Foreign currency risk is the risk that variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company's operating and financial results. The Company is exposed to foreign currency risk associated with its loan to Affinity (Note 5). A 10% fluctuation in the USD/CDN foreign exchange rate would result in an immaterial change in the Company's net loss and comprehensive loss for the period ended May 31, 2019.

c) Price risk - The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

13. Segment information

The Company operates in one reportable operating segment, being the evaluation of potential business opportunities. All assets are located in Canada.

14. Subsequent Events

- The Company received proceeds of $23,975 in connection with the exercise of 95,900 warrants subsequent to the period.

- The Company has closed a brokered private placement led by PI Financial Corp. resulting in the issue of 3,463,000 subscription receipts (the "Subscription Receipts") of the Company at an issue price of $0.75 per Subscription Receipt for gross proceeds of $2,597,250. Each Subscription Receipt will automatically be exchanged for one common share of the Company (a "Common Share") upon the satisfaction of certain escrow release conditions (the "Release Date"), including the closing of the Merger Transaction announced by the Company in its press release of September 11, 2018 and the approval of the Canadian Securities Exchange. The Company has paid commissions totaling $181,807.50 and issued 242,410 broker warrants of the Company (the "Broker Warrants"). Each Broker Warrant gives the holder the right to purchase one Common Share at an exercise price of $0.75 for a period of 24 months following the Release Date