Sixth Wave Innovations Inc.

Consolidated Financial Statements

Years ended August 31, 2020 and 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sixth Wave Innovations Inc.

Opinion

We have audited the accompanying consolidated financial statements of Sixth Wave Innovations Inc. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that during the year ended August 31, 2020, the Company incurred a loss of $20,972,597 and remains dependent upon the receipt of additional equity and/or debt financing. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

December 29, 2020

SIXTH WAVE INNOVATIONS INC.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
AS AT

		August 31, 2020		August 31, 2019
ASSETS				
Current assets				
Cash	$	720,292	$	610,425
Cash held in escrow from subscription receipts (note 20)		-		2,470,327
Receivables (note 7)		22,094		60,950
Prepaid expenses and other		118,329		-
Bridge loan receivable (note 8)		-		1,377,087
Loan receivable (note 8)		-		135,970
Total current assets		860,715		4,654,759
Non-current assets				
Investment in associated company (note 9)		310,755		-
Loan receivable (note 8)		819,043		526,170
Equipment (note 10)		300,128		-
Right of use asset (12)		276,100		-
Intangible assets (13)		1,876,607		-
Goodwill (note 14)		8,238,856		-
Total non-current assets		11,821,488		526,170
TOTAL ASSETS	**$**	**12,682,204**	**$**	**5,180,929**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	1,650,173	$	894,320
Subscription receipts (note 20)		-		2,266,721
Current portion of lease liability (note 15)		112,805		-
Convertible promissory notes (note 16)		1,530,206		-
Deferred salary loans (note 19)		1,035,115		-
Total current liabilities		4,328,299		3,161,041
Non-current liabilities				
Convertible debentures (note 17)		466,436		-
Lease liability (note 15)		178,388		-
Deferred salary loans (note 19)		711,937		-
Deferred revenue (note 9)		522,411		-
Total non-current liabilities		1,879,172		-
TOTAL LIABILITIES	**$**	**6,207,471**	**$**	**3,161,041**
SHAREHOLDERS' EQUITY				
Share capital (note 20)		43,614,558		20,059,174
Reserves (note 20)		4,213,430		1,892,337
Equity component of convertible debentures (note 17)		132,401		-
Subscriptions received (note 20)		163,564		745,000
Accumulated deficit		(41,649,220)		(20,676,623)
TOTAL SHAREHOLDERS' EQUITY	**$**	**6,474,733**	**$**	**2,019,888**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**12,682,204**	**$**	**5,180,929**

Nature of operations (note 1)
Going concern (note 2)
Commitments (note 25)
Subsequent events (note 26)

On behalf of the Board of Directors:

(s) Jonathan Gluckman
Jonathan Gluckman, Director

(s) John Veltheer
John Veltheer, Director

The accompanying notes form an integral part of these consolidated financial statements.

SIXTH WAVE INNOVATIONS INC.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year Ended August 31, 2020	Year Ended August 31, 2019
EXPENSES		
Amortization (note 10, 12 and 13)	$ 371,634	$ -
Advertising and promotion	749,789	-
Management and consulting (note 22)	2,643,507	1,529,556
Office and miscellaneous	71,581	22,757
Professional fees	690,063	551,048
Rent expense	62,831	59,936
Regulatory and filing fees	68,474	25,808
Share based compensation (note 20 and 22)	808,224	712,147
Research and development	1,369,219	1,508,653
Transaction costs (note 6)	1,213,621	2,705,154
Travel and related	221,910	184,812
Loss before other items	(8,270,853)	(7,299,871)
Unrealized fair value gain on bridge loan (note 8)	-	127,087
Other income	170,232	964
Interest expense	(227,985)	-
Goodwill impairment (note 14)	(12,658,000)	-
Foreign exchange gain	14,009	-
Net loss and comprehensive loss for the year	**$ (20,972,597)**	**$ (7,171,820)**
Basic and diluted loss per common share	$ (0.34)	$ (0.22)
Basic and diluted weighted average number of common shares outstanding	61,960,672	33,110,673

The accompanying notes form an integral part of these consolidated financial statements.

SIXTH WAVE INNOVATIONS INC.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of shares	Amount ($)	Reserves ($)	Equity Component of Convertible Debentures ($)	Subscriptions Received ($)	Accumulated Deficit ($)	Total ($)
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)
Fair value of finder's warrants	-	-	96,706	-	-	-	96,706
Share based payments	-	-	712,147	-	-	-	712,147
Shares issued for exercise of warrants	95,900	23,975	-	-	-	-	23,975
Subscriptions received	-	-	-	-	745,000	-	745,000
Net loss for the year	-	-	-	-	-	(7,171,820)	(7,171,820)
Balance at August 31, 2019	38,693,653	20,059,174	1,892,337		745,000	(20,676,623)	2,019,888
Balance at August 31, 2019	38,693,653	20,059,174	1,892,337	-	745,000	(20,676,623)	2,019,888
Shares issued on financing (net of share issuance costs) (note 20)	15,206,735	10,325,783	43,818	-	(745,000)	-	9,624,601
Shares issued for exercise of warrants (note 20)	9,323,455	606,025	-	-	-	-	606,025
Share based payments (note 20)	-	-	808,224	-	-	-	808,224
Shares issued relating to settlement of 6WIC convertible debenture (note 6 and 20)	2,719,202	1,905,284	-	-	-	-	1,905,284
Equity component of convertible debentures (note 17)	-	-	110,052	132,401	-	-	242,453
Issuance of commitment warrants (note 17)	-	-	34,074	-	-	-	34,074
Warrants issued relating to the acquisition of 6WIC (note 6)	-	-	620,858	-	-	-	620,858
Shares issued on acquisition of 6WIC (note 6)	14,291,056	10,718,292	704,067	-	-	-	11,422,359
Subscriptions received	-	-	-	-	163,564	-	163,564
Net loss for the year	-	-	-	-	-	(20,972,597)	(20,972,597)
Balance at August 31, 2020	80,234,101	43,614,558	4,213,430	132,401	163,564	(41,649,220)	6,474,733

The accompanying notes form an integral part of these consolidated financial statements.

SIXTH WAVE INNOVATIONS INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year Ended August 31, 2020 ($)	Year Ended August 31, 2019 ($)
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES		
Net loss for the year	(20,972,597)	(7,171,820)
Adjustments for items not involving cash:		
Amortization (note 10, 12 and 13)	371,634	-
Amortization included in research and development expense (note 11)	98,776	-
Accretion expense	963	-
Share-based payments (note 20)	808,224	712,147
Unrealized fair value gain on bridge loan	-	(127,087)
Accrued interest expense (income)	96,922	(964)
Goodwill impairment (note 14)	12,658,000	-
Forgiveness of government loan	(195,423)	-
Unrealized foreign exchange	81,606	-
	(7,051,895)	(6,587,724)
Change in non-cash operating working capital items:		
Accounts receivable	(333)	(56,400)
Accounts payable and accrued liabilities	232,942	596,932
Cash held in subscription receipts (note 20)	2,470,327	(15,000)
Prepaid expenses and other	(32,232)	173,187
Net cash used in operating activities	(4,381,191)	(5,889,005)
CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES		
Proceeds on issuance of shares (net of costs) (note 20)	7,357,880	5,791,603
Share subscriptions received in advance	163,564	-
Subscription receipts received in advance	-	745,000
Proceeds from issuance of convertible debentures (note 17)	682,000	-
Repayment of deferred salary loans (note 19)	(135,730)	-
Loan payable (note 18)	195,423	-
Repayment of convertible debenture (note 16)	(204,869)	-
Exercise of warrants (note 20)	606,025	-
Lease liability payments	(57,943)	-
Net cash provided by financing activities	8,606,350	6,536,603
CASH FLOWS (FROM) USED BY INVESTING ACTIVITIES		
Purchase of equipment	(107,028)	-
Purchase of intangibles	(23,281)	-
Advances to AFI (note 8)	(239,668)	-
Cash paid in the acquisition of Geolithic shares (note 9)	(99,177)	-
Cash paid in the acquisition of 6WIC (note 6)	(3,695,404)	-
Cash acquired in the acquisition of 6WIC (note 6)	49,266	-
Issuance of notes receivable	-	(1,911,176)
Net cash used in investing activities	(4,115,292)	(1,911,176)
Change in cash during the year	**109,867**	**(1,263,578)**
Cash, beginning of the year	**610,425**	**1,874,003**
Cash, end of the year	**720,292**	**610,425**

Supplemental cash flow (note 23)

The accompanying notes form an integral part of these consolidated financial statements.

1. Nature and continuance of operations

Sixth Wave Innovations Inc. (the "Company") and 6th Wave Innovations Corp. ("6WIC"), a private nanotechnology company focused on extraction and detection of target substances at the molecular level, entered into a definitive agreement dated September 11, 2018 to merge the two companies to form Sixth Wave Innovations Inc. (the "Merger"). The boards of the Company and 6WIC each unanimously approved the terms of the Merger (refer to note 6 for details). The Company was incorporated under the Business Corporations Act (BC) on June 6, 2007. The office of the Company is located at Suite 110 – 210 Waterfront Dr., Bedford, Nova Scotia B4A 0H3. 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. On February 11, 2020, the Company listed its common shares for trading on the Canadian Securities Exchange ("CSE").

2. Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. During the year ended August 31, 2020, the Company incurred a loss of $20,972,597 and remains dependent upon the receipt of additional equity and/or debt financing. While management has been successful in obtaining required financing in the past, there is no assurance that additional financing will be available or be available on favourable terms. The Company's ability to continue as a going concern is dependent upon the ability to raise financing and ultimately generate profitable operations. These consolidated financial statements do not reflect and adjustments to the carrying value of assets and liabilities and the reported amounts of expenses and statement of financial position classifications that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these financial statements, these conditions could have a significant adverse impact on the Company's financial position and results of operations for future periods.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

3. Basis of presentation

These consolidated financial statements have been prepared in accordance International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issue in accordance with a resolution from the Board of Directors on December 29, 2020.

(a) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All amounts are presented in Canadian dollars unless otherwise specified.

Certain comparative figures in these consolidated financial statements have been reclassified in order to conform with current period presentation.

3. Basis of presentation (continued)

(b) Significant judgments, estimates and assumptions

The preparation of these consolidated 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 consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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.

Critical Accounting Judgments

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Going concern

The assessment of the Company's ongoing viability as an operating entity and determination of the related disclosures require significant judgment.

Business combinations

Determining whether an acquisition is a business combination or an asset acquisition. Judgment is also required to assess whether contingent consideration should be classified as equity or a liability. Measuring the fair value of equity instruments issued as consideration for a business combination, and in allocating the fair value of consideration paid to the assets acquired and liabilities assumed.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. Noncontrolling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of this equity in the acquiree's identifiable net assets. The excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net assets of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in net income (loss).

Functional currency

Determination of an entity's functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operates and is re-evaluated when facts and circumstances indicate that conditions have changed.

Classification of associated company

Classification of investments requires judgment as to whether the Company controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. If an investor holds 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

3. Basis of presentation (continued)

The Company has classified its investment in Geolithic Corp. ("Geolithic") as an associated company and as at January 31, 2020 as the Company owned 40% of the outstanding common shares of Geolithic. On February 28, 2020, the Company entered into an option agreement to purchase additional common shares of Geolithic. On March 6, 2020, the Company exercised its rights under the option agreement and acquired an additional 15% of Geolithic Corp. The Company continues to classify its investment in Geolithic as an associated company based on management's judgement that the Company has significant influence and no control over Geolithic, based on rights to board representation and/or other provisions in the respective shareholders' agreement. Additional details of the option agreement and purchases made under the option agreement can be found note 9.

Financial instruments

The determination of categories of financial assets and liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

The identification of convertible note component is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. the separation of components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of fair value of the liability is also based on several assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Embedded derivatives

As part of assessing whether an instrument is a hybrid financial instrument and contains and embedded derivative, significant judgement is required in evaluating whether the host contract is more akin to debt or equity and whether the embedded derivative is clearly and closely related to the underlying host contract. The Company concludes that the host instrument of the convertible debentures is a debt host due to the holder's right to redeem the instrument for cash at a point in time in the future. The Company determines that the conversion option is not closely related to the debt host, and that the conversion option is required to be separated from the host instrument and accounted for as an embedded derivative due to the variability in the number of shares issuable under the convertible debentures. In applying its judgement, the Company relies primarily on the economic characteristics and risks of the instrument as well as the substance of the contractual arrangements.

The initial fair values of the embedded derivative conversion options and subsequent re-measurements at fair value at each reporting date are determined by using the Black-Scholes pricing model which requires exercise of judgment in relation to variables such as expected volatilities in share price and foreign exchange rates.

Critical Accounting Estimates

Share-based payments

Share-based payments, as measured with respect to stock options granted are estimated using the Black-Scholes pricing model.

Income taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Valuation of investment in associated company

To value the investment in associated company, management obtains financial information from the majority owner and adjusts the carrying value of the investment. The investment is subject to all estimates includes in the financial information from the majority owner as well as estimates of impairment losses.

3. Basis of presentation (continued)

Estimated useful lives, impairment considerations and amortization of tangible assets, intangible assets, and goodwill

Amortization of tangible assets and intangible assets is dependent upon estimates of useful lives based on management's judgment.

Goodwill impairment testing requires management to make critical estimates within the impairment testing model. On an annual basis, the Company tests whether goodwill is impaired.

Impairment of tangible and intangible assets with finite lives are affected by judgments about impairment indicators and estimates used to measure impairment losses where necessary.

The recoverable value of goodwill and tangible and intangible assets is determined using discounted cash flow models, which incorporate assumptions about future events including future cash flows, growth rates and discount rates.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 6WIC from the date of acquisition, January 31, 2020 (note 6). All significant intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

4. Significant accounting policies

(a) Cash

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. As at August 31, 2020, the Company had cash of approximately $720,000 (2019 - $610,000).

(b) Intangible assets

Intangible assets acquired individually or with a group of other assets from others (other than in a business combination) are recognized at cost, including transaction costs, and allocated to the individual assets acquired based on relative fair values and no goodwill is recognized. Cost is measured based on cash consideration paid. If consideration given is in the form of non-cash assets, liabilities incurred, or equity interests issued, measurement of cost is based on either the fair value of the consideration given or the fair value of the assets (or net assets) acquired, whichever is more clearly evident and more reliably measurable. Costs of internally developing, maintaining or restoring intangible assets that are not specifically identifiable, have indeterminate lives or are inherent in a continuing business are expensed as incurred.

Intangibles with a finite useful life are amortized and those with an indefinite useful life are not amortized. The useful life is the best estimate of the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company. The useful life is based on the duration of the expected use of the asset by the Company and the legal, regulatory or contractual provisions that constrain the useful life and future cash flows of the asset, including regulatory acceptance and approval, obsolescence, demand, competition and other economic factors. If an income approach is used to measure the fair value of an intangible asset, the Company considers the period of expected cash flows used to measure the fair value of the intangible asset, adjusted as appropriate for Company-specific factors discussed above, to determine the useful life for amortization purposes. If no regulatory, contractual, competitive, economic or other factors limit the useful life of the intangible to the Company, the useful life is considered indefinite.

Intangibles with a finite useful life are amortized on the straight-line method unless the pattern in which the economic benefits of the intangible asset are consumed or used up are reliably determinable. The Company evaluates the remaining useful life of intangible assets each reporting period to determine whether any revision to the remaining useful life is required. If the remaining useful life is changed, the remaining carrying amount of the intangible asset will be amortized prospectively over the revised remaining useful life. Intellectual property acquired pursuant to the Merger Transaction, further described in note 6, is amortized on a straight-line basis over 5 years.

4. Significant accounting policies (continued)

Intangibles with an indefinite useful life are not amortized until its useful life is determined to be no longer indefinite. Indefinite-lived intangibles are tested for impairment annually and more frequently if events or circumstances indicate that it is more-likely-than-not that the asset is impaired. The Company has not recognized any intangible assets with an indefinite useful life.

(c) Goodwill

Goodwill represents the excess of the consideration transferred over the Company's interest in the fair value of the net identifiable assets, including intangible assets, and liabilities of the acquiree at the date of acquisition. At the date of acquisition, goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is tested at least annually for impairment at the CGU level and is carried at cost less accumulated impairment losses.

(d) Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(e) Equipment

Equipment is recorded at cost less accumulated amortization and impairment losses. The Company provides for amortization using the declining balance at rates designed to amortise the cost of the equipment over their limited useful lives. The annual amortization rates are as follows:

Asset	Basis	Rate
Office equipment	Declining balance	30%
Furniture and fixtures	Declining balance	30%
Research equipment	Declining balance	30%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(f) Pilot plant

Pilot plant is recorded at historical cost less accumulated amortization and impairment charges. Pilot plant is depreciated using the straight-line method over the estimated useful lives of the individual assets. The significant classes of pilot plant and the rates are as follows:

Asset	Basis	Rate
Pilot plant	Straight line	2 years

4. Significant accounting policies (continued)

(g) Share based payments

Awards of options to employees and others providing similar services under this plan are expensed based on the estimated fair value of the options at the grant date, with a corresponding credit to reserves in shareholders' equity. Fair value is measured using the Black-Scholes pricing model. If the options are subject to vesting periods, the compensation cost is recognized over this period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Consideration received on the exercise of stock options is credited to share capital together with the amounts originally recorded as share-based compensation in reserves related to the exercised options.

(h) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognised as a deduction from equity, net of any tax effects.

(i) Share issuance costs

Share issuance costs, which include commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital. Share issue costs incurred from the issuance of flow-through shares are charged directly to share capital and expense in proportion to the value of the Company's shares at time of issue.

(j) Investment in associated company

The Company accounts for its long-term investments in affiliated companies over which it has significant influence using the equity basis of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the Company's share of earnings or losses and reduced by dividends received. The consolidated statements of loss and comprehensive loss reflect the Company's share of the results of operations of the associated company from the acquisition date forward. Where there has been a change recognized directly in the equity of the associated company, the Company recognizes its share of any changes. Unrealized gains and losses resulting from transactions between the Company and the associated company are eliminated to the extent of the interest in the associated company.

The Company assesses its equity investments for impairment at each reporting date if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the equity investment and that the event or events has an impact on the estimated future cash flow of the investment that can be reliably estimated. Objective evidence of impairment of equity investments includes:

(i) significant financial difficulty of the associated company;

(ii) becoming probable that the associated company will enter bankruptcy or other financial reorganization; or

(iii) national or local economic conditions that correlate with defaults of the associated company.

If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in profit or loss. Upon loss of significant influence over the associated company, the Company measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associated company upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

4. Significant accounting policies (continued)

(k) 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. Parties are also considered to be related if they are subject to common control or common significant influence. 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. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

(l) 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.

(m) Income taxes

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

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current period and any adjustment to income taxes payable in respect of previous periods. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

The consolidated income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss and comprehensive loss.

Current tax expense is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the tax benefit will be realized.

(n) Foreign currency translation

Functional currency

Items included in the consolidated financial statements of the Company's subsidiary are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent company and its subsidiary is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rate prevailing at the date of the transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of loss and comprehensive loss.

4. Significant accounting policies (continued)

(o) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration transferred less the recognized amount of the identifiable assets and liabilities assumed, all measured at the acquisition date. Transactions costs, other than those associated with the issue of equity instruments, incurred in connection with a business combination are expensed as incurred.

(p) Financial instruments – recognition and measurement

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and 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.

As at August 31, 2020 the Company has made the following classifications:

Financial assets/liabilities:	Classification
Cash	FVTPL
Cash held in escrow from subscription receipts	FVTPL
Receivables	Amortized cost
Bridge loan receivable	FVTPL
Loans receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Subscription receipts	Amortized cost
Convertible debentures	Amortized cost
Deferred salary loans	Amortized cost

(ii) Measurement

Financial assets and liabilities at 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 at FVTPL Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and 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 consolidated statements of loss and comprehensive loss in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

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 consolidated statements of loss and 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.

4. Significant accounting policies (continued)

(iv) Derecognition

Financial assets

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 consolidated statements of loss and comprehensive loss.

(v) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Share purchase warrants issued in conjunction with a convertible debt are allocated a proportionate value of the equity component and included within reserves.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

(q) Government assistance

The Company received certain government assistances in the form of forgivable loans from the Canadian and U.S. governments in connection with the COVID-19 pandemic. When there is reasonable assurance that the amounts will be forgiven, the Company reduces the loan and credits the forgiven amounts to the related expenses. The Company includes government assistance that has not been forgiven or is repayable in accounts payable and accrued liabilities.

(r) Research and development

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 expenditures are 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 expenditures 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.

4. Significant accounting policies (continued)

(s) Standards, amendments and interpretations

The Company adopted the following accounting standards and amendments to accounting standards effective September 1, 2019:

IFRS 16 Leases

On September 1, 2019 the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IRFS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates classification of leases as either operating leases or finance leases for the lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease liabilities related to its lease commitments for its office lease. The lease liability will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at September 1, 2019, the date of the initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount, plus prepaid lease payments made by the Company. The Company has implemented the following accounting policies permitted under the new standard:

- Leases of low dollar value will continue to be expensed as incurred; and
- The Company will not apply any grandfathering practical expedients.

At September 1, 2019 the Company adopted this standard and there was no material impact on the Company's consolidated financial statements.

New accounting policy for leases under IFRS 16

The following is the accounting policy for leases as of September 1, 2019 upon adoption of IFRS 16:

The Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-to-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4. Significant accounting policies (continued)

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depends on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- Exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, of the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company does not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

For the purposes of preparing and presenting the Company's consolidated financial statements, the Company has adopted all applicable standards and interpretations issued.

IFRIC interpretation 23 Uncertainty over income Tax Treatments

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. At September 1, 2019, the Company adopted this standard and there was no material impact on the Company's financial statements.

5. 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 its business activities. 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 year ended August 31, 2020, or the year ended August 31, 2019. The Company is not subject to externally imposed capital requirements other than those described in note 25.

6. Acquisition of 6WIC

Effective January 31, 2020, the Company acquired 100% of the issued and outstanding shares of 6WIC, a private company existing under the laws of the State of Delaware. 6WIC is a development stage nanotechnology company focused on developing and commercializing technologies for extraction and detection of target substances at the molecular level. The business combination has been accounted for using the acquisition method with the results of operations consolidated with those of the Company effective January 31, 2020.

Pursuant to the agreement and plan of merger ("Merger Transaction"):

1) The Company paid $1,626,550 and issued 14,291,056 common shares at a fair value of $10,718,292. As part of the Merger Transaction with 6WIC, the Company replaced 749,849 warrants of 6WIC having exercise prices ranging from $2.64 (USD $2.00) to $9.92 (USD $7.50) and reduced the term of the replaced warrants to the lessor of the unexpired term or 3 years after closing date with 3,928,043 warrants with an exercise price of $0.75 per share with expiry dates ranging from 1.92 to 3 years after the closing date. The replacement warrants incremental value is $704,067. The weighted average assumptions used for the Black-Scholes valuation of replacement warrants were annualized volatility of 100%, risk-free interest rate of 1.47%, expected life of 2.37 years and a dividend rate of 0%.

2) The Company settled the loans payable to Affinity Nano as follows:

   - On closing of the Merger Transaction $1,905,284 ($1,444,639 USD) was converted into 2,719,202 common shares of the Company.
   - $1,443,186 ($1,087,555 USD) was repaid in cash.
   - The Company entered into a convertible debenture in the amount of $1,322,359 ($1,000,000 USD) (the "Convertible Loan"). The Convertible Loan will bear interest at 10% compounded monthly and payments of $25,000 USD are to be paid at the end of each month.
   - The Company issued 1,777,778 warrants as consideration. The fair value of the warrants of $620,858 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 100%, risk-free interest rate of 1.47%, expected life of 1.5 years and a dividend rate of 0%.

3) The Company assumed the Deferred Salary Loans of 6WIC and settled the outstanding balance as follows:

   - The deferred salary loans were assumed by the Company and upon closing of the Merger Transaction 25% of the outstanding balance was repaid or became payable to the respective parties. At January 31, 2020, the Company paid $426,634 ($322,270 USD). The remaining balances of the respective deferred salary loans will accrue interest at 0.667% per month and are to be repaid over 24 months at various payment amounts.

4) The Company paid a separation payment of $199,034 ($150,000 USD) and issued a convertible promissory note in the amount of $330,590 ($250,000 USD) to the CFO of 6WIC as further described in note 15.

(Expressed in Canadian dollars)

6. Acquisition of 6WIC (continued)

The consideration paid and the allocation of the consideration to fair values of the assets acquired and liabilities assumed in the acquisition at January 31, 2020 are as follows:

Consideration		
Cash	$	3,695,404
Common shares		12,623,576
Replacement warrants		704,067
Convertible debentures		1,652,949
Warrants		620,858
Total consideration	$	19,296,854

Fair value of net assets acquired		
Cash	$	49,266
Receivables		109,095
Prepaid expense and other		86,097
Investment in associated company		211,578
Equipment		251,076
Right of use asset		345,125
Pilot plant		98,776
Intellectual property		2,098,105
Goodwill		20,896,856
Accounts payable and accrued liabilities		(718,881)
Lease obligation		(347,354)
Convertible debentures (bridge loan receivable - note 8 (a))		(1,436,843)
Deferred salary loans		(1,817,098)
Deferred revenue		(528,944)
Net assets acquired	$	19,296,854

During the year ended August 31, 2020, the Company incurred total transaction expenses in connection with the Merger Transaction totaling $1,213,621. The transaction expenses are disclosed separately in the statement of loss and comprehensive loss.

The acquired business contributed revenues of $Nil and net loss of $2,508,272 to the consolidated entity from the period from February 1, 2020 to August 31, 2020.

If the acquisition had occurred on September 1, 2019, consolidated pro-forma revenue and loss for the year ended August 31, 2020 would have been $Nil and $3,374,944 respectively.

Goodwill arising from the acquisition represents expected future income, growth, assembled workforce and other intangibles that do not qualify for separate recognition. None of the goodwill arising from this acquisition is expected to be deductible for tax purposes.

7. Receivables

As at August 31, 2020, the Company's amount receivable of $22,094 (2019 - $60,950) is comprised of Goods and Services Tax / Harmonized Sales Tax ("GST") due from government taxation authorities.

8. Bridge loan receivable and loans receivable

(a) Bridge Loan Receivable:

During the year ended August 31, 2019, the Company loaned $1,250,000 in the form of a convertible promissory note (the "Bridge Loan") to 6WIC that bore interest at 10% compounded monthly and was payable on September 7, 2019. During the year ended August 31, 2020, the loan was amended and payable on January 31, 2020.

The Bridge Loan was convertible at the option of the Company into Common shares or Series B Preferred shares of 6WIC 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 6WIC. However, should 6WIC have completed a minimum financing of at least USD $2,000,000, then the entire principal and accrued interest owing under the Bridge Loan would have been automatically be converted into Common shares or Series B Preferred shares of 6WIC 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 Company classified the Bridge Loan as a FVTPL instrument. On initial issuance the Company determined the value of the Bridge Loan to be equal to the initial transaction price of $1,250,000. Upon completion of the Merger Transaction, the Bridge Loan became an intercompany loan and has been eliminated on consolidation.

As at January 31, 2020 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 $1,436,843 (2019 - $1,377,087).

(b) Loan Receivable – Short term

On June 24, 2019, the Company extended a $135,970 (USD $100,000) to an Officer of the Company due on October 31, 2019 (extended to January 31, 2020) bearing 3% interest per annum or any portion of a month thereafter on the initial sum only. Upon completion of the Merger Transaction the short-term portion totalling $135,970 was settled in full.

(c) Loan Receivable – Long term

On May 22, 2019 the Company extended a $390,706 (USD $285,000) loan to Affinity Farms Inc. ("AFI"). The loan bears 10% interest compounded annually, is due on May 31, 2022 and is secured by the assets of AFI. On July 31, 2019, the Company amended this agreement and added an additional USD $250,000, on the same terms, as available funds for drawdown if required. On August 1, 2019 the Company extended $134,500 (USD $100,000) of the drawdown to AFI bringing the total principal amount loaned to AFI to $525,206 (USD $385,000). During the year ended August 31, 2020, the Company extended an additional $239,666 (USD $176,199) bringing the total principal amount loaned to AFI to $764,872 (USD $561,199). No repayments have been received during the years ended August 31, 2019 or 2020. The Company recorded interest income totalling $964 during the year ended August 31, 2019 and $88,527 during the year ended August 31, 2020.

9. Investment in associated company and deferred revenue

During the year ended August 31, 2020, the Company acquired 6WIC (note 6), and as a result the Company acquired 40% of the issued and outstanding common shares of Geolithic on January 31, 2020.

On January 20, 2017, 6WIC entered into a Minerals Extraction Joint Venture Company Agreement with TriLateral Energy, LLC ("TLE"). TLE and 6WIC formed Geolithic, a corporation formed under the laws of the state of Delaware with its principal place of business in Salt Lake City, Utah. Geolithic is a private company and its principal business activity is to extract lithium and other relatively rare and valuable minerals using new and innovative extraction methods.

On February 28, 2020, the Company entered into an option agreement with TLE to acquire additional interest in Geolithic. The Company has two options to purchase the entirety of Geolithic's shares, exercised in two separate transaction for a total purchase price of $300,000 USD to be paid by the Company. The first option shall be exercisable for 15% of the total outstanding shares for a total purchase of $75,000 USD. The second option shall be exercisable to purchase 35% of the total outstanding shares for a total price of $175,000 USD on or before July 31, 2020 and to purchase the remaining 10% of the total outstanding shares for a total price of $50,000 USD on or before September 30, 2020. On March 6, 2020, the Company exercised the first option and paid $99,177 ($75,000 USD) for 15% of the total outstanding shares of Geolithic, resulting in the Company owning 55% of Geolithic.

(Expressed in Canadian dollars)

9. Investment in associated company and deferred revenue (continued)

Geolithic is recognised as an equity investment of the Company. The Board and management of Geolithic is comprised of three representatives of TLE and two representatives of the Company. The Company has classified its investment in Geolithic as an equity investment based on management's judgement that Company has significant influence, based on rights to board representation and/or other provisions in the respective shareholders' agreement.

In 2017, 6WIC entered into an exclusive license agreement with Geolithic for the use of their nano extraction technology and received $400,000 USD from TLE on behalf of Geolithic relating to the advanced payments of the exclusive license agreement. Prior to the Merger Transaction, as further described in note 6, 6WIC accounted for the $400,000 USD as deferred revenue as 6WIC has not fulfilled its obligation pursuant to the license agreement. As at August 31, 2020 the Company has not fulfilled its obligation pursuant to the license agreement and continues to account for the $522,411 ($400,000 USD) as deferred revenue.

A reconciliation of the Company's investment in Geolithic is as follows:

Balance at August 31, 2019	$	-
Additions (note 6)		211,578
Acquisition of shares pursuant to option agreement		99,177
Equity (loss) gain in Geolithic for the year		-
Balance at August 31, 2020	$	310,755

Geolithic's estimated financial information as at August 31, 2020 and loss and comprehensive loss for the year ending August 31, 2020:

		August 31, 2020
Total current assets	$	-
Total assets		522,411
Total current liabilities		-
Total long-term liabilities		-
Loss and comprehensive loss for the year		-
Company's share of loss during the year	$	-

10. Equipment

As a result of the Merger Transaction, as outlined in note 6, the Company acquired office equipment of $14,761, furniture and fixtures of $1,460 and machinery and equipment of $234,855 as at January 31, 2020.

	Office equipment	Furniture and fixtures	Research equipment	Total
Cost				
Balance, September 1, 2018	$ -	$ -	$ -	$ -
Additions	-	-	-	-
Balance, August 31, 2019	-	-	-	-
Additions	20,850	1,460	335,648	357,958
Balance, August 31, 2020	20,850	1,460	335,648	357,958
Accumulated amortization				
Balance, September 1, 2018	$ -	$ -	$ -	$ -
Amortization	-	-	-	-
Balance, August 31, 2019	-	-	-	-
Amortization	3,433	256	54,141	57,830
Balance, August 31, 2020	3,433	256	54,141	57,830
Net book value				
Balance, August 31, 2019	$ -	$ -	$ -	$ -
Balance, August 31, 2020	$ 17,417	$ 1,204	$ 281,507	$ 300,128

(Expressed in Canadian dollars)

11. Pilot plant

As a result of the Merger Transaction, as outlined in note 6, the Company acquired a Pilot Plant with a fair value of $98,776 as at January 31, 2020. The Pilot Plant become available for use in July 2018 and during the year ended August 31, 2020 the Company recorded $98,776 of amortization which is included in research and development expenses. Changes in fair value of the Pilot Plant are summarized below:

	September 1, 2019	Additions	Amortization	August 31, 2020
Pilot plant	$ -	$ 98,776	$ 98,776	$ -

	September 1, 2018	Additions	Amortization	August 31, 2019
Pilot plant	$ -	$ -	$ -	$ -

12. Right of use asset

As a result of the Merger Transaction, as further described in note 6, on January 31, 2020 the Company recognized a right of use assets with respect to 6WIC's office lease with an opening balance of $345,125. This amount represents the present value of future minimum lease payments using a discount rate of 15%. The following table reconciles the changes attributable to the Company's right of use asset:

	Office Lease
Cost	
As at September 1, 2018 and 2019	$ -
Additions	345,125
As at August 31, 2020	345,125
Depreciation	
As at August 31, 2018 and 2019	$ -
Charge for the year	69,025
As at August 31, 2020	69,025
Net book value	
As at August 31, 2019	$ -
As at August 31, 2020	$ 276,100

Amortization on the right-of-use asset is calculated using the straight-line method over remaining lease term.

13. Intangible assets

The Company has determined the fair value of the intellectual property acquired in connection with the acquisition of 6WIC, as further described in note 6, to be $2,098,105. A summary of the Company's intangible assets is provided below:

	September 1, 2019 and 2018	Additions	Accumulated Amortization	August 31, 2020
Intellectual property (acquistion of 6WIC)	$ -	$ 2,098,105	$ 244,779	$ 1,853,326
Website domains	-	23,281	-	23,281
	$ -	$ 2,121,386	$ 244,779	$ 1,876,607

Amortization on the intellectual property acquired is calculated using the straight-line method over the estimated life of the intellectual property of 5 years.

(Expressed in Canadian dollars)

14. Goodwill

The Company's goodwill represents the excess of the purchase paid for the acquisition of 6WIC over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. The Company has determined that its CGU with goodwill is 6WIC. The annual impairment test date is August 31.

As at August 31, 2020, an impairment indicator was determined to exist and the Company performed impairment testing that resulted in an impairment of goodwill. The impairment indicator included a significant decline in the market value of the Company' as reflected in the decline in its share price since the acquisition date on January 31, 2020. The carrying amount of 6WIC CGU was determined to be higher than its recoverable amount of approximately $11,000,000 and an impairment charge of $12,658,000 was recognized for the year ended August 31, 2020 (2019 - $nil). The impairment charge was fully allocated to goodwill.

For the purpose of impairment testing, the carrying amount of the asset or CGU is compared to the recoverable amount of the asset or CGU. The recoverable amount of the 6WIC CGU was determined based on fair value less costs of disposal, covering a five-year forecast, followed by an extrapolation of expected cash flows for the terminal period, which were grown at an inflationary rate. The present value of the expected cash flows of the CGU were determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the CGU. The fair value calculation is a Level 3 in the fair value hierarchy. Key assumptions utilized in the determination of the recoverable amount, and to which the recoverable amount is most sensitive, included projected growth in revenue which varies in the five-year period and a steady growth rate of 2% thereafter and anticipated gross margin rate of 60% throughout the projection period. Projected cash flows were discounted using a discount rate of 21.9%.

Management's key assumptions include stable gross profit margins, based on past experience in the market. The Company's management believes that this is the best available input for forecasting. Cash flow projections reflect stable gross profit margins achieved immediately before the forecast period. No expected efficiency improvements have been taken into account and prices and wages reflect forecasts of inflation for the industry. There is significant estimation uncertainty involved in the determination of the recoverable amount of the CGU.

The following table reconciles the changes attributable to goodwill for the years ended August 31, 2020 and 2019:

Balance as at August 31, 2018	$ -
Additions	-
Impairment	-
Balance as at August 31, 2019	$ -
Additions (Acquistion of 6WIC)	20,896,856
Impairment	(12,658,000)
Balance as at August 31, 2020	$ 8,238,856

15. Lease liability

As a result of the Merger Transaction, as further described in note 6, on January 31, 2020 the Company recognized a lease obligation with respect to 6WIC's office lease with an opening balance of $347,354. This amount represents the present value of future minimum lease payments using a discount rate of 15%. The following table reconciles the changes attributable to the Company's lease liability:

	September 1, 2019 and 2018	Lease liabilities recognized on January 31, 2020	Interest accretion	Interest payments	Principal payments	Foreign exchange	Current portion	August 31, 2020
Office lease liability	$ -	$ 347,354	$ 33,813	$ (33,813)	$ 57,943	$ 1,782	$ (112,805)	$ 178,388
	$ -	$ 347,354	$ 33,813	$ (33,813)	$ 57,943	$ 1,782	$ (112,805)	$ 178,388

(Expressed in Canadian dollars)

16. Convertible promissory notes

Affinity Loan

On January 31, 2020, the Company entered into a convertible promissory note as part of the Merger Transaction with 6WIC, as further described in note 6, in the amount of $1,322,359 ($1,000,000 USD) in the form of a convertible promissory note (the "Affinity Loan") that bears interest at 10% compounded monthly and payable on January 31, 2021. In accordance with the Affinity Loan agreement the Company is required to make interest payments of $25,000 USD per month due on the last day of each month and the option to convert the loan is at the discretion of the Company.

If the Company completes one or more financings through the issuance of common shares or securities that are convertible into common shares for cash the Company has the right to require conversion of all or a portion of the outstanding principal and accrued interest not to exceed the aggregate gross amount of cash received by the Company pursuant to the applicable financing. The conversion price shall be equal to the price of the securities issued through the financing. Each financing conversion shall be effective as of the closing date of the applicable financing and the principal balance of the convertible debenture shall be increased by an amount equal to 10% of the financing conversion amount.

At the maturity date, in lieu of repayment, the Company has the right to convert the principal and unpaid accrued interest, not to exceed 150% of the cumulative dollar volume of the Company's common shares traded on the Canadian and United States trading markets for the common share of the Company for the 20 consecutive trading days ending and including the last trading day prior to the maturity date. The maturity conversion price shall be calculated using the lessor of the volume weighted average trading price of the common shares of the Company for the 20 consecutive trading days ending on and including the last trading day prior to the maturity date or the closing price on the last trading day prior to the maturity date.

Feldman Loan

On January 31, 2020, the Company entered into a convertible promissory note as part of the Merger Transaction with 6WIC, as further described in note 6, in the amount of $330,590 ($250,000 USD) in the form of a convertible promissory note (the "Feldman Loan") that bears interest at 10% compounded monthly and payable on January 31, 2021 and the option to convert the loan is at the discretion of the Company.

If the Company completes one or more financings through the issuance of common shares or securities that are convertible into common shares for cash the Company has the right to require conversion of all or a portion of the outstanding principal and accrued interest not to exceed the aggregate gross amount of cash received by the Company pursuant to the applicable financing. The conversion price shall be equal to the price of the securities issued through the financing. Each financing conversion shall be effective as of the closing date of the applicable financing and the principal balance of the convertible debenture shall be increased by an amount equal to 10% of the financing conversion amount.

At the maturity date, in lieu of repayment, the Company has the right to convert the principal and unpaid accrued interest, not to exceed 150% of the cumulative dollar volume of the Company's common shares traded on the Canadian and United States trading markets for the common share of the Company for the 20 consecutive trading days ending and including the last trading day prior to the maturity date. The maturity conversion price shall be calculated using the lessor of the volume weighted average trading price of the common shares of the Company for the 20 consecutive trading days ending on and including the last trading day prior to the maturity date or the closing price on the last trading day prior to the maturity date.

The following is a loan continuity schedule for the Affinity Loan and Feldman Loan:

	Feldman Loan	Affinity Loan	Total
Balance as at August 31, 2018	$ -	$ -	$ -
Additions	-	-	-
Accrued interest	-	-	-
Repayment	-	-	-
Foreign exchange	-	-	-
Balance as at August 31, 2019	$ -	$ -	$ -
Additions	330,590	1,322,359	1,652,949
Accrued interest	20,417	76,505	96,922
Repayment	-	(204,869)	(204,869)
Foreign exchange	(4,971)	(9,825)	(14,796)
Balance as at August 31, 2020	$ 346,036	$ 1,184,170	$ 1,530,206

(Expressed in Canadian dollars)

17. Convertible debentures

August 22, 2020 and August 31, 2020 Issuance

On August 22 and 31, 2020, the Company closed the sale of 742 unsecured convertible debenture units for gross proceeds of $682,000 and settlement of outstanding balances of $60,000. Each debenture unit consists of: (i) $1,000 principal amount and (ii) 1,000 common share purchase warrants. At the Company's election, interest on the convertible debentures can be paid in either cash or common shares of the Company at a rate of 7.5% if paid in cash or 10% if paid in common shares. Interest is payable semi-annually on the last day of June and December of each year, commencing on December 31, 2020. At any time prior to maturity, the debentures can be converted to units at the option of the holders at a conversion price of $0.35 per unit. Each unit consists of one common share of the Company plus one common share purchase warrant, with each warrant giving the holder the right to acquire one common share of the Company at a strike price of $0.55. The common share purchase warrants to be issued upon the conversion of the debt will expire on the maturity date of the convertible debentures.

Each debenture holder was paid a one-time commitment fee comprised of commitment warrants. Each commitment warrant gives the holder the right to acquire one common share of the Company with each whole warrant giving the holder the right to acquire one common share of the Company at a strike price of $0.35 per common share for a period of 24 months. The debentures carry a term of three years. During the third year of the term, the Company shall have the option to extend the term by up to one additional year. If extended, then the company shall pay a cash extension fee to the holders of convertible debentures in the amount of six months of interest (at the rate of 7.5%per annum). The Company issued a total of 111,300 commitment warrants.

In the event that the Company's common shares trade at a closing price of $0.75 or more on the Canadian Securities Exchange for 10 consecutive trading days, the outstanding principal amount of each convertible debenture will automatically be converted into units.

For accounting purposes, the convertible debentures are compound instruments and the proceeds are required to be separated into their liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the convertible debentures assuming a 15% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity component was determined at the time of issue as the difference between the face value of the convertible debentures and the fair value of the liability component. The fair value of the liability component is $487,877 and the equity component is $242,453 of which $110,052 was allocated to reserves to account for the warrants contained within the units.

The commitment warrants have a combined fair value of $10,881 estimated using the Black-Scholes option pricing model with a volatility of 98%, risk-free interest rate of 0.28%, dividend rate of 0% and expected life of 2 years.

In connection with the closing of the convertible debentures the Company also issued a total of 148,400 finders' warrants in two tranches. The first tranche of finders warrants issued has a fair value of $17,532 estimated using the Black-Scholes option pricing model with a volatility of 98%, risk-free interest rate of 0.28%, dividend rate of 0% and expected life of 3 years. The second tranche of finders' warrants issued had a fair value of $5,661 estimated using the Black-Scholes option pricing model with a volatility of 97%, risk-free interest rate of 0.29%, dividend rate of 0% and expected life of 3 years.

Transaction costs totaled $34,074, of which $22,404 was allocated to the liability component, and offset the carrying value and are amortized using the effective interest method as finance costs over the expected life of the debentures. Transaction costs of $6,373 was charged to the equity component and $5,297 was charged to the warrant component.

Interest and accretion expense for the year ended August 31, 2020 was $963. The following table reconciles the changes attributable to the Company's convertible debentures issued on August 22, 2020 and August 31, 2020:

Balance as at August 31, 2019 and 2018	$	-
Additions		742,000
Warrant component		(110,052)
Equity component		(132,401)
Transaction costs		(34,074)
Interest and accretion		963
Ending balance	$	466,436

(Expressed in Canadian dollars)

18. Loan payable

On April 25, 2020 the Company's subsidiary 6WIC received a loan in the amount of $195,423 ($139,200 USD) from the Small Business Administration ("SBA") as a result of its application to the Paycheck Protection Program ("PPP Loan"). The PPP Loan matures on April 25, 2022 and bears interest at a rate of 1.00%. The PPP Loan is a loan designed to provide a direct incentive for businesses to keep their workers on the payroll. SBA will forgive loans if all employees are kept on the payroll for eight weeks and the loan is used for payroll, rent, mortgage interest, or utilities. 6WIC has kept all employees subsequent to the receipt of the PPP Loan and is in the process of applying for loan forgiveness. As at August 31, 2020, the Company has incurred eligible payroll costs of $195,423, which were offset against the loan balance.

19. Deferred salary loans

In accordance with the Merger Transaction, as further described in note 6, on January 31, 2020 the Company assumed deferred salary loans of $1,817,098 ($1,374,133 USD) for certain current and former employees of 6WIC. Pursuant to the terms of Merger Transaction the deferred salary loans will accrue interest at a rate of 0.667% compounded monthly and be repaid over 24 months at various payment amounts.

The following is a loan continuity schedule for the deferred salary loans:

	Aug 31, 2020	August 31, 2019
Opening balance	$ -	$ -
Additions (note 6)	1,817,098	-
Principal and interest repayments	(135,730)	-
Foreign exchange	65,684	-
Current portion	(1,035,115)	-
Ending balance	$ 711,937	$ -

20. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

(a) Issued share capital

As at August 31, 2020 there were 80,234,101 issued and fully paid common shares and nil preferred shares issued. On August 31, 2019 there were 38,693,653 issued and fully paid common shares and nil preferred shares issued.

Changes in share capital during the year ended August 31, 2020

On October 21, 2019, the Company closed the third tranche of its previously announced non-brokered private placement and issued 3,480,583 common shares of the Company at $0.75 per share for gross proceeds of $2,610,437.

On December 6, 2019, the Company closed the fourth tranche of its previously announced non-brokered privative placement and issued 2,000,000 common shares of the Company at $0.75 per share for gross proceeds of $1,500,000.

On January 16, 2020, the Company closed the fifth tranche of its previously announced non-brokered privative placement and issued 5,212,558 common shares of the Company at $0.75 per share for gross proceeds of $3,909,419.

On January 31, 2020, the Company's completed its obligations pursuant to the subscription receipts and issued shares of 3,603,600 for gross proceeds of $2,702,700.

In connection with the above private placements, the Company paid finders fees and issuance costs in the amount of $479,122, of which $410,779 was recorded as issuance costs against subscriptions received in advance in the prior year and issued a total of 71,916 finders' warrants. The fair value of the warrants is $28,453, estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 100%, risk-free interest rate of 1.47%, expected life of 2 years and a dividend rate of 0%.

On January 31, 2020, the Company issued 14,291,056 common shares of the Company at $0.75 per share valued at $10,718,292 as part of the Merger Transaction (note 6). In addition, the Company issued 2,719,202 common shares of the Company at $0.75 per share valued at $1,905,284 to settle existing debt obligations of 6WIC and in conjunction with the Merger Transaction.

(Expressed in Canadian dollars)

20. Share capital (continued)

On April 1, 2020, the Company issued 295,000 common shares with a fair value of $146,025 as finder fees in connection with the above private placements.

The Company received proceeds of $606,025 in connection with the exercise of 9,323,455 warrants.

On August 28, 2020 the Company closed the first the tranche of a non-brokered private placement and issued 614,994 units at $0.30 per unit for gross proceeds of $184,497. Each unit consists of one common share and one common share purchase warrant. Each warrant gives the holder the right to purchase one common share of the Company at an exercise price of $0.50 for a period of 24 months. A residual value of $9,224 was allocated to the warrants. In connection with the first tranche, the Company paid finders' fees and issuance costs of $58,330 and issued 43,049 finder's purchase warrants. Each warrant gives the holder the right to purchase one common share of the Company at an exercise price of $0.30 for a period of 24 months. The finders' warrants issued has a fair value of $6,141 estimated using the Black-Scholes option pricing model with a volatility of 98%, risk-free interest rate of 0.28%, expected life of 2 years and a dividend rate of 0%.

Changes in share capital during the year ended August 31, 2019

On July 26, 2019, the Company closed a brokered private placement of 3,463,000 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 was automatically exchanged for one common share of the Company on closing of the Merger Transaction as described in note 6. In connection with this private placement, the Company incurred issuance fees of $410,779 (netted with subscription receipts), consisting of $15,000 issuance cost paid in cash during fiscal 2019, $80,250 to be settled through the issuance of 107,000 subscription receipts in-lieu of cash, $91,900 included in accounts payable as August 31, 2019 and the issuance of 244,762 broker warrants of the Company. Each broker warrant gives the holder the right to purchase one common share of the Company at an exercise price of $0.75 for a period of 24 months following the release date of January 31, 2020. The fair value of the warrants is $96,706 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 100%, risk-free interest rate of 2.40%, expected life of 2 years and a dividend rate of 0%.

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.

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

(b) Warrants

The continuity schedule of share purchase warrants is as follows:

	Number of share purchase warrants	Weighted Average Exercise Price
Balance, August 31, 2018	10,080,355	$0.065
Granted	244,762	$0.75
Expired	(661,000)	$0.14
Exercised	(95,900)	$0.25
Balance, August 31, 2019	9,568,217	$0.08
Granted	6,695,480	$0.80
Exercised	(9,323,455)	$0.065
Balance, August 31, 2020	6,940,242	$0.80

(Expressed in Canadian dollars)

20. Share capital (continued)

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

Weighted average exercise price	Remaining contractual life	Number of warrants outstanding	Expiry Date
$0.75	0.92 years	1,777,778	July 31, 2021
$0.75	1.34 years	735,148	December 31, 2021
$0.90	1.34 years	248,957	December 31, 2021
$0.75	1.39 years	71,916	January 20, 2022
$0.75	1.42 years	244,762	January 31, 2022
$0.90	1.42 years	944,607	January 31, 2022
$0.9375	1.92 years	944,607	July 31, 2022
$0.55	1.97 years	84,000	August 20, 2022
$0.30	1.99 years	43,049	August 28, 2022
$0.50	1.99 years	614,994	August 28, 2022
$0.55	2.00 years	27,300	August 31, 2022
$0.90	2.42 years	110,117	January 31, 2023
$0.975	2.42 years	944,607	January 31, 2023
$0.35	2.97 years	112,000	August 20, 2023
$0.35	3.00 years	36,400	August 31, 2023
$0.80	1.59 years	6,940,242	

(c) 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 ten years.

During the year ended August 31, 2020, the Company adopted an award plan (the "DSU Plan"), which permits the grant of deferred share units of the Company ("DSU's") whereby the maximum number of common shares reserved for the issue under the DSU Plan shall not exceed 2,000,000 common shares of the Company. In addition, the aggregate number of common shares issuable pursuant to the DSU Plan combined with the Company's Stock Option Plan, shall not exceed 10% of the Company's outstanding shares. The Company issued 2,000,000 DSU's subsequent to year end as further described in note 26.

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 common share and will expire on October 22, 2023. One third of the options will vest after six months, with an additional one third to vest every six months thereafter. These options were valued at $872,394 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 2.4%, expected dividend yield 0%, share price $0.43, exercise price $0.40, volatility 100%, and expected life 5 years.

On July 9, 2019, the Company granted 100,000 options to a consultant. The options are exercisable at a price of $0.75 per share and will expire on July 9, 2024. 25,000 options will vest on October 9, 2019, January 9, 2019, April 9, 2010, and July 9, 2020. These options were valued at $19,590 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 1.56%, expected dividend yield 0%, share price $0.31, exercise price $0.75, volatility 100%, and expected life 5 years.

On November 15, 2019, the Company granted a total of 1,180,000 options to consultants and directors of the Company. The options are exercisable at a price of $0.75 per common share and will expire on November 15, 2024. The vesting of the options are as follows: 393,333 on May 15, 2020, November 15, 2020, and May 15, 2021.These options were valued at $320,409 using the Black-Scholes pricing model based on the following weighted average assumptions: risk-free interest rate 1.48%, expected dividend yield 0%, share price $0.41, exercise price $0.75, volatility 100%, and expected life 5 years.

(Expressed in Canadian dollars)

20. Share capital (continued)

On January 13, 2020, the Company granted a total of 945,000 options to consultants and directors of the Company. The options are exercisable at a price of $0.75 per common share and will expire on January 13, 2025. The vesting of the options are as follows: 100,000 on grant date, then 281,667 on July 13, 2020, January 13, 2021, and July 13, 2021. These options were valued at $529,589 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 1.61%, expected dividend yield 0%, share price $0.75, exercise price $0.75, volatility 100%, and expected life 5 years.

During the year ended August 31, 2020, the Company recognized $808,224 (2019 - $712,617) in share-based compensation vested during the year.

The continuity schedule of stock options is as follows:

	Number of stock options	Weighted Average Exercise Price ($)
Balance, August 31, 2018 and 2017	-	-
Granted	2,750,000	$0.41
Exercised	-	-
Balance, August 31, 2019	2,750,000	$0.41
Granted	2,125,000	$0.75
Exercised	-	-
Balance, August 31, 2020	4,875,000	$0.56

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

Weighted average exercise price	Remaining contractual life	Number of options outstanding	Number of options exercisable	Expiry Date
$0.40	3.14 years	2,650,000	2,650,000	October 22, 2023
$0.75	3.86 years	100,000	100,000	July 9, 2024
$0.75	4.21 years	1,180,000	393,333	November 15, 2024
$0.75	4.37 years	945,000	381,667	January 13, 2025
$0.56	3.65 years	4,875,000	3,525,000	

(d) Escrowed shares

As at August 31, 2020, 12,734,487 common shares of the Company are subject to an escrow agreement pursuant to National Instrument 46-201 *Escrow for Initial Public Offerings.* A total of 15% of the shares will be released from escrow every 6 months until all have been released.

Furthermore, an additional 2,550,294 common shares are subject to an escrow agreement pursuant to the terms of the Merger Transaction. These shares will be released from escrow on or before July 31, 2021.

21. Income taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2019		**2019**
Loss for the year	$	(20,972,597)	$	(7,071,820)
Expected income tax (recovery)		(5,663,000)		(1,936,000)
Change in statutory, foreign tax, foreign exchange rates and other		1,101,000		(21,000)
Share issue cost		(193,000)		-
Impact on acquisition of subsidiary		(1,915,000)		-
Permanent differences		3,247,000		192,000
Adjustment to prior year provision versus statutory tax return		611,000		(9,000)
Change in unrecognized deductible temporary differences		2,812,000		1,774,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

(Expressed in Canadian dollars)

21. Income taxes (continued)

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2020	2019
Deferred Tax Assets (liabilities)		
Exploration and evaluation assets	$ 1,231,000	$ 1,231,000
Property and equipment	58,000	-
Other temporary differences	31,000	47,000
Debt with accretion	(70,000)	-
Intangible assets	(205,000)	-
Share issue costs	256,000	16,000
Non-capital losses	5,873,000	3,068,000
Total deferred tax asset (liability)	$ 7,174,000	$ 4,362,000
Unrecognized deferred tax assets	(7,174,000)	(4,362,000)
Net deferred tax assets	**$ -**	**$ -**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2020	Expiry Date Range	2019	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	$ 4,508,000	No expiry date	$ 4,508,000	No expiry date
Investment tax credit	18,000	2030 to 2034	18,000	2030 to 2034
Property and equipment	316,000	No expiry date	-	No expiry date
Other temporary differences	150,000	No expiry date	175,000	No expiry date
Share issue costs	946,000	2023	59,000	2023
Non-capital losses available for future periods	23,131,000	See below	11,363,000	See below
Canada	11,878,000	2027 to 2040	11,363,000	2027 to 2039
USA	12,253,000	2034 to indefinite	-	N/A

Tax attributes are subject to review, and potential adjustment, by tax authorities.

22. 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. A summary of transactions with key management are summarized as follows:

	Year Ended August 31, 2020	Year Ended August 31, 2019
Management and consulting fees	$ 910,413	$ 130,000
Director's fees and consulting fees paid to directors	191,042	2,500
Share-based payments	88,911	39,977
Deferred salary loan payments	57,916	-
Total	$ 1,248,281	$ 172,477

22. Related party transactions (continued)

(a) During the year ended August 31, 2020, the Company incurred $410,970 (2019 – Nil) in management and consulting expense to the CEO of the Company pursuant to CEO services provided. The amount incurred included a one-time signing bonus and relocation expenses of $235,970 (2019 – Nil). The Company recorded $6,732 in share-based compensation representing the fair value of options that were granted to the CEO which have vested during the year. Pursuant to the deferred salary loan agreements, as further described in note 19, the CEO received payment of $9,838 (2019 – Nil) against the balance owing. As at August 31, 2020, the balance owing under the deferred salary loan agreement to the CEO is $547,235 (2019 – Nil). On closing of the Merger Transaction, as outlined in note 6, the CEO was entitled to a repayment of $179,542 or 25% of the balance owing at January 31, 2020. The CEO has deferred this payment and the amount is included in accounts payable and accrued liabilities as at August 31, 2020. As at August 31, 2020, the Company owed the CEO $137,500 (2019 – Nil) for unpaid payroll and bonus.

(b) During the year ended August 31, 2020, the Company incurred $115,000 (2019 - $95,000) in director's fees and management and consulting expense to the CFO of the Company pursuant to CFO and Director services provided of which $9,000 (2019 - $Nil) are included in accrued liabilities and accounts payable as at August 31, 2020. The amount included a one-time bonus of $15,000. The Company recorded $9,449 in share-based compensation representing the fair value of options that were granted to the CFO which have vested during the year.

(c) During the year ended August 31, 2020, the Company paid $32,500 (2019 - $35,000) in management and consulting expense to the former CFO and Director of the Company for services provided up until January 31, 2020. The fees paid in 2020 included a separation payment of $15,000. The Company recorded $5,193 in share-based compensation representing the fair value of options that were granted to the former CFO and Director which have vested during the year.

(d) During the year ended August 31, 2020, the Company incurred $125,113 (2019 - Nil) in management and consulting expense to the COO of the Company pursuant to COO services provided. The Company recorded $44,113 in share-based compensation representing the fair value of options that were granted to the COO which have vested during the year. As at August 31, 2020 the Company owed the COO $44,204 (2019 – Nil) for unpaid payroll.

(e) During the year ended August 31, 2020, the Company incurred $239,330 (2019 – Nil) in management and consulting expense to the Executive Vice President ("EVP") of the Company for EVP services provided. The amount included a one-time signing bonus of $100,000. The Company recorded $4,926 in share-based compensation representing the fair value of options that were granted to the EVP which have vested during the year. Pursuant to the deferred salary loan agreements, as further described in note 19, the EVP received payment of $48,078 (2019 – Nil) against the balance owing. As at August 31, 2020, the balance owing in accordance with the deferred salary loan agreement is $482,534 (2019 – Nil). As at August 31, 2020 the Company owed the EVP $35,162 (2019 – Nil) for unpaid payroll.

(f) During the year ended August 31, 2020, the Company paid $10,000 (2019 – $2,500) in director fees to a former Director of the Company for services provided up until January 31, 2020. The fees paid in 2020 included a separation payment of $7,500. The Company recorded $2,077 in share-based compensation representing the fair value of options that were granted to the former Director which have vested during the year.

(g) During the year ended August 31, 2020, the Company incurred $168,542 (2019 – Nil) in director's fees and management and consulting expenses to the remaining Directors of the Company. The Director's earned $37,500 (2019 – Nil) in director's fees and $131,042 (2019 – Nil) in management and consulting expense for consulting services provided. The Company recorded $16,420 (2019 – Nil) in share-based compensation representing the fair value of options granted to Directors of the Company which have vested during the year. As at August 31, 2020 the Company owed the Director's $11,250 (2019 – Nil) in unpaid Director's fees and $25,937 (2019 – Nil) in unpaid consulting expense.

(Expressed in Canadian dollars)

23. Supplemental disclosure with respect to cash flows

	Year Ended August 31, 2020 ($)	Year Ended August 31 2019 ($)
Cash paid for income taxes	-	-
Cash paid for interest	204,870	-

Significant non-cash transactions during the year ended August 31, 2020 and 2019:

	Year Ended August 31, 2020 ($)	Year Ended August 31 2019 ($)
Warrants issued as finders fees	34,594	-
Commitment warrants	34,074	-
Shares issued as finders fees	146,025	-

Refer to note 6 for further disclosure relating to non-cash transactions.

24. 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 and bridge loan receivable 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 August 31, 2020 the carrying values of cash, receivables, loans receivable, accounts payable and accrued liabilities and convertible promissory notes 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’s primary exposure to credit risk is on its loan’s receivable. This risk is partially managed by a security interest in the assets of one of the borrowers. 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.

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.

As at August 31, 2020, the Company had a cash balance of $720,292 (2019 - $610,425) to settle accounts payable and accrued liabilities of $1,650,173 (2019 - $894,320).

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 2 for further details.

24. Financial risk management (continued)

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. 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. As at August 31, 2020, the Company didn't hold any investment-grade short-term deposit certificates. The Company does not have any debt that bears variable interest rates.

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 has operations in the United States and as a result is subject to risk due to fluctuations in the exchange rates for the Canadian and US dollars. As at August 31, 2020, the Company had a foreign currency net monetary liability position of $4,454,064 USD. Each 1% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain or loss of approximately $44,541.

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.

25. Commitments

Office lease

In December of 2019, 6WIC entered into a lease for its office premises in Salt Lake City which expires in December 2022. As result of the Merger Transaction the Company has assumed this lease obligation (note 15).

Deferred salary loans

In accordance with the Merger Transaction, on January 31, 2020, the Company assumed deferred salary loans for certain current and former employees of 6WIC (note 19). Pursuant to the terms of Merger Transaction the balance owing at January 31, 2020 will accrue interest at a rate of 0.667% compounded monthly and be repaid over 24 months at various payment amounts.

Convertible promissory notes

On January 31, 2020, the Company entered into a convertible promissory note as part of the business acquisition with 6WIC, as further described in note 6, in the amount of $1,322,359 (USD$ 1,000,000). The note bears interest at a rate of 10% compounded monthly and payments of $25,000 are to be paid at the end of each month. The convertible note matures on January 31, 2021. Further details describing the convertible promissory note are found in note 16.

On January 31, 2020, the Company entered into a convertible promissory note as part of the Merger Transaction with 6WIC, as further described in note 6, in the amount of $330,590 ($250,000 USD). The note bears interest at a rate of 10% compounded monthly and the convertible note matures on January 31, 2021. Further details describing the convertible promissory note are found in note 16.

Retention Bonus

In accordance with the employment agreements signed between the Company and the CEO and EVP, the Company has committed to pay each the CEO and EVP lump sum payments in the amount of $75,000 each due 12 months and 24 months after the closing of the Merger Transaction as further described in note 6.

(Expressed in Canadian dollars)

25. Commitments (continued)

Convertible debentures

On August 22, and 31, 2020, the Company closed the sale of 742 unsecured convertible debenture units which each debenture unit consisting of $1,000 of principal amount. The debentures carry a term of three years. During the third year of the term, the Company shall have the option to extend the term by up to one additional year. Further details describing the convertible debentures are found in note 17.

As of August 31, 2020, these commitments required total payments including estimated common expenses, as follows:

	$
Payable not later than one year	2,860,449
Payable later than one year and not later than five years	1,801,947
Payabale later than five years	-
	4,662,396

Acquiring Assets & Personnel of Aurora Analytics

On April 13, 2020, the Company executed a Letter of Intent ("LOI") for the acquisition of critical assets and intellectual property of Aurora Analytics, LLC of Baltimore, MD ("Aurora") and the migration of all Aurora's key staff. The Company will acquire specific assets of Aurora, including all laboratory equipment, all IP associated with the detection of virus and biogenic amines, and assume certain liabilities of Aurora, property leases for Aurora's laboratory and research centre. Consideration for the acquisition will be $145,000 USD, of which $25,000 USD has been paid to date, plus 500,000 common shares of the Company, together with the employment of key individuals currently employed by Aurora. As of the date of these consolidated financial statements the Company has not closed the acquisition of the critical assets and intellectual property of Aurora.

Termination benefits

During the year the Company has entered into employment agreements with three key executive officers of the Company in which the Company will pay each officer base salaries ranging from US$175,000 to US$220,000 and $300,000 per annum.

Should the Company terminate the employment agreements without cause a payment shall be made in a single lump sum to the executive ranging from six months to two times the amount of the executive’s then annual total compensation package as of the date of the executive’s termination. In addition, all unvested options that would have vested during the 12 months following termination will vest immediately on termination. The key executive officers will have a period of 30 days following termination in which to exercise those options.

26. Subsequent events

Financing

On September 1, 2020 the Company closed a tranche of its previously announced non-brokered private placement of equity units in the aggregate amount of $483,564. Pursuant to the closing of the financing, the Company issued 1,611,880 units at a price of $0.30 per unit. Each unit consists of one common share and one common share purchase warrant, with each warrant giving the holder the right to purchase one additional common share at an exercise price of $0.50 for a period of 24 months.

On September 21, 2020 the Company closed a further tranche of its previously announced non-brokered private placement of equity units in the aggregate amount of $1,150,100. Pursuant to the closing of the financing, the Company issued 3,833,667 units at a price of $0.30 per unit. Each unit consists of one common share and one common share purchase warrant, with each warrant giving the holder the right to purchase one additional common share at an exercise price of $0.50 for a period of 24 months. The Company paid finders' fees in the amount of $44,037 and issued a total of 146,790 finders' warrants in connection with the closing of the financing. The finders' warrants give the holder the right to purchase one common share at an exercise price of $0.30 per share for a period of 24 months after closing.

26. Subsequent events (continued)

On November 18, 2020 the Company closed a further tranche of the previously announced non-brokered private placement in the amount of $397,600 by way of issuing 1,325,334 units at a price of $0.30 per unit. Each unit consists of one common share and one common share purchase warrant, with each warrant giving the holder the right to purchase one additional common share at an exercise price of $0.50 per common share for a period of 24 months. The Company paid finders' fees in the amount of $5,670 and issued a total of 18,900 finders' warrants in connection with the closing of the tranche of the non-brokered private placement. The finders' warrants give the holder the right to purchase one common share at an exercise price of $0.30 per share for a period of 24 months after closing.

Employee equity participation plan

On October 16, 2020 the Company implemented an employee equity participation plan. The plan, which is voluntary, permits employees to receive compensation in the form of common shares of the Company in lieu of a portion, or all, of the employee's cash compensation. The Company has issued a total of 2,016,240 common shares at a price of $0.30 per share representing significant participation by management and key employees.

Options and DSU's

On October 16, 2020, the Company granted a total of 1,150,000 options to directors, employees, advisory board members and consultants. The options are exercisable at a price of $0.35 per share and will expire on October 16, 2025. One-third of the options will vest after six months, with a further third vesting every six months thereafter. In addition, the Company has issued 2,000,000 deferred share units under its deferred share unit plan.

AMIP's funding

On October 27, 2020 the Company announced that it has entered into an agreement with the Nova Scotia COVID-19 Response Council (NSCRC) to receive a $250,000 contribution for the development of its proposed AMIP's (accelerated molecularly imprinted polymer system) technology for the rapid detection of viruses such as SARS-CoV-2.