Sixth Wave Innovations Inc.

Condensed Interim Consolidated Financial Statements

For the Three and Six Months ended February 28, 2021

(Expressed in Canadian Dollars)

(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. Management of Sixth Wave Innovations Inc. has prepared these condensed interim consolidated financial statements. Management has compiled the unaudited condensed interim consolidated statement of financial position of Sixth Wave Innovations Inc. as at February 28, 2021, the audited statement of financial position as at August 31, 2020 and the unaudited condensed interim consolidated statements of comprehensive loss, changes in shareholder's equity and cash flows for the three and six month period ended February 28, 2021 and February 29, 2020. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the February 28, 2021 condensed interim consolidated financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

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

		February 28, 2021		August 31, 2020
ASSETS				
Current assets				
Cash	$	107,556	$	720,292
Receivables (note 6)		144,456		22,094
Prepaid expenses and other		210,547		118,329
Total current assets		462,559		860,715
Non-current assets				
Investment in associated company (note 8)		310,755		310,755
Loan receivable (note 7)		838,083		819,043
Equipment (note 9)		249,642		300,128
Right of use asset (note 10)		216,936		276,100
Intangible assets (note 11)		1,666,797		1,876,607
Goodwill (note 12)		8,238,856		8,238,856
Total non-current assets		11,521,069		11,821,488
TOTAL ASSETS	**$**	**11,983,628**	**$**	**12,682,204**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (note 19)	$	1,530,625	$	1,650,173
Current portion of lease liability (note 13)		118,421		112,805
Loan payable (note 16)		155,198		-
Convertible promissory notes (note 14)		-		1,530,206
Deferred salary loans (note 17)		1,686,040		1,035,115
Total current liabilities		3,490,284		4,328,299
Non-current liabilities				
Lease liability (note 13)		112,667		178,388
Deferred salary loans (note 17)		-		711,937
Deferred revenue (note 8)		506,201		522,411
Convertible debentures (note 15)		1,491,702		466,436
Total non-current liabilities		2,110,570		1,879,172
TOTAL LIABILITIES	**$**	**5,600,854**	**$**	**6,207,471**
SHAREHOLDERS' EQUITY				
Share capital (note 18)		46,509,362		43,614,558
Reserves (note 18)		5,145,436		4,213,430
Equity component of convertible debentures (note 15)		417,179		132,401
Subscriptions received (note 18)		-		163,564
Accumulated deficit		(45,689,203)		(41,649,220)
TOTAL SHAREHOLDERS' EQUITY	**$**	**6,382,774**	**$**	**6,474,733**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**11,983,628**	**$**	**12,682,204**

Nature of operations (note 1)
Going concern (note 2)
Commitments (note 22)
Subsequent events (note 23)

On behalf of the Board of Directors April 9, 2021

(s) Jonathan Gluckman
Jonathan Gluckman, Director

(s) John Veltheer
John Veltheer, Director

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

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

	Three months ended February 28, 2021	Three months ended February 29, 2020	Six months ended February 28, 2021	Six months ended February 29, 2020
		Restated (note 3)		Restated (note 3)
EXPENSES				
Amortization (note 9, 10 and note 11)	$ 164,268	$ 51,766	$ 321,326	$ 51,831
Advertising and promotion	68,788	341,917	231,792	381,642
Management and consulting (note 19)	873,434	608,456	1,610,241	901,411
Office and miscellaneous	33,569	8,367	69,839	10,820
Professional fees	161,868	21,097	296,874	194,629
Rent expense	-	21,944	14,099	65,541
Regulatory and filing fees	34,145	16,299	57,524	20,728
Share based compensation (note 18 and 19)	265,387	198,189	661,986	392,491
Research and development	310,084	350,357	590,087	642,966
Transaction costs (note 5)	-	412,181	-	1,213,621
Travel and related	4,179	83,841	14,582	151,235
Loss before other items	(1,915,722)	(2,114,414)	(3,868,350)	(4,026,915)
Unrealized fair value gain (loss) on bridge loan	-	(35,121)	-	-
Other income	70,345	98,233	91,006	128,900
Interest expense	(168,169)	(38,049)	(270,281)	(38,049)
Foreign exchange gain (loss)	21,009	(52,045)	7,642	(42,966)
Net loss and comprehensive loss for the period	**$ (1,992,537)**	**$ (2,141,396)**	**$ (4,039,983)**	**$ (3,979,030)**
Basic and diluted loss per common share	$ (0.02)	$ (0.04)	$ (0.05)	$ (0.09)
Basic and diluted weighted average number of common shares outstanding	90,618,436	52,971,238	83,936,015	46,667,189

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

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

	Number of shares	Amount ($)	Reserves ($)	Equity Component of Convertible Debentures ($)	Subscriptions Received ($)	Accumulated Deficit ($)	Total ($)
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)	14,296,741	10,214,981	28,453	-	(745,000)	-	9,498,434
Shares issued for exercise of warrants	1,850,000	120,250	-	-	-	-	120,250
Share based payments	-	-	392,491	-	-	-	392,491
Shares isseud relating to settlement of 6WIC convertible debenture	2,719,202	1,905,284	-	-	-	-	1,905,284
Warrants issued in connection to convertible debt (Restated - note 3)	-	-	620,858	-	-	-	620,858
Shares issued on acquistion of 6WIC (Restated - note 3)	14,291,056	10,718,292	704,067	-	-	-	11,422,359
Net loss for the period (Restated - note 3)	-	-	-	-	-	(3,979,030)	(3,979,030)
Balance at February 29, 2020	71,850,652	43,017,981	3,638,206	-	-	(24,655,653)	22,000,534
Balance at August 31, 2020	80,234,101	43,614,558	4,213,430	132,401	163,564	(41,649,220)	6,474,733
Shares issued on financing (net of share issuance costs) (note 18)	6,770,881	1,839,184	28,383	-	(163,564)	-	1,704,003
Share based payments (note 18)	2,016,240	604,872	661,986	-	-	-	1,266,858
Equity component of convertible debentures (note 15)	-	-	217,171	284,778	-	-	501,949
Issuance of commitment warrants (note 15)	-	-	57,387	-	-	-	57,387
Shares issued for payment of interest on convertbile debentures (note 18)	75,479	26,417	-	-	-	-	26,417
Shares issued to settle convertible debenture (note 14)	1,301,520	351,410	-	-	-	-	351,410
Shares issued on exercise of options (note 18)	100,000	72,921	(32,921)	-	-	-	40,000
Net loss for the period	-	-	-	-	-	(4,039,983)	(4,039,983)
Balance at February 28, 2021	90,498,221	46,509,362	5,145,436	417,179	-	(45,689,203)	6,382,774

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

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

	Six months ended February 28, 2021 ($)	Six months ended February 29, 2020 ($) Restated (note 3)
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES		
Net loss for the period	(4,039,983)	(3,979,030)
Adjustments for items not involving cash:		
Amortization (note 9, 10 and note 11)	321,326	51,766
Amortization inluced in research and development expense	-	41,574
Share-based compensation (note 18)	1,266,858	392,491
Accretion expense	81,825	-
Accrued interest expense	111,324	10,548
Unrealized foreign exchange	(58,917)	76,551
	(2,317,567)	(3,406,100)
Change in non-cash operating working capital items:		
Accounts receivable	(165,465)	(166,806)
Accounts payable and accrued liabilities	(33,133)	(767,812)
Cash held in subscription receipts	-	2,470,327
Prepaid expenses and other	(92,218)	(273,183)
Net cash used in operating activities	(2,608,383)	(2,143,574)
CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES		
Proceeds on issuance of shares (net of costs) (note 18)	1,704,003	7,231,713
Proceeds from issuance of convertible debentures (note 15)	1,113,000	-
Proceeds from loan payabale (note 16)	155,198	-
Repayment of deferred salary loans (note 17)	(81,994)	(33,373)
Repayment of convertible promissory note (note 14)	(856,231)	120,250
Issuance of common shares on exercise of options (note 18)	40,000	-
Lease liability payments (note 13)	(71,838)	(12,117)
Net cash provided by financing activities	2,002,138	7,306,473
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES		
Purchase of equipment	(1,866)	(39,993)
Advances to AFI (note 7)	(4,625)	(217,245)
Cash paid in the acquisition of 6WIC (note 5)	-	(3,695,404)
Cash acquired in the acquisition of 6WIC (note 5)	-	49,266
Net cash used in investing activities	(6,491)	(3,903,376)
Change in cash during the period	**(612,736)**	**1,259,523**
Cash, beginning of the period	**720,292**	**610,425**
Cash, end of the period	**107,556**	**1,869,948**

Supplemental cash flow (note 20)

The accompanying notes form an integral part of these condensed interim 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 5 for details). The Company was incorporated under the Business Corporations Act (BC) on June 6, 2007. The head office of the Company is located at Suite 830 – 1100 Melville Street., Vancouver, British Columbia V6E 4A6. The Company traded on the NEX board of the TSX Venture Exchange ("NEX") under the ticker symbol 'AGY.H' until May 29, 2018 after which it voluntarily delisted from the NEX. On February 11, 2020, the Company listed its common shares for trading on the Canadian Securities Exchange ("CSE").

2. Going concern

These condensed interim 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. As at February 28, 2021 the Company's current liquidity and capital resources raised significant doubt about the Company's ability to continue as a going concern for the next twelve months without an inflow of new funds. On March 31, 2021, the Company closed a non-brokered private placement of units for total gross proceeds of $6,000,000. During the period ended February 28, 2021, the Company incurred a loss of $4,039,983 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. There is no certainty that the Company will be able to raise funds as they are required in the future.

These condensed interim 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 condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using the same accounting policies and methods of application as the audited annual consolidated financial statements of the Company for the year ended August 31, 2020, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), except as noted below. Accordingly, certain information and footnote disclosure normally included in annual financial statements have been omitted or condensed.

The Company's management makes judgements in its process of applying the Company's accounting policies in the preparation of these condensed interim consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management makes assumptions and estimates of the impacts of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

3. Basis of presentation (continued)

In preparing the Company's condensed interim consolidated financial statements for the six months ended February 28, 2021, the Company applied the critical judgements and estimates disclosed in Note 3 of its consolidated financial statements for the year ended August 31, 2020. These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended August 31, 2020.

Restatement of Comparative Figures

The Company has restated the statements of loss and comprehensive loss, statements of cash flows and statements of shareholders' equity to reflect year ended August 31, 2020 adjusting journal entries which are applicable to the three and six months ended February 29, 2020. All information with respect to adjusted comparative figures were restated to reflect the year end journal entries. There is no net impact on the statement of financial position, statement of loss and comprehensive loss, and statement of cash flows or loss per share in the audited financial statements for the year ended August 31, 2020 as a result of a restatement.

The restatement of the comparative figures is based on an adjustment to amend the fair value of the allocation of the consideration to fair value of assets acquired and liabilities assumed in the acquisition of 6WIC on January 31, 2020: goodwill increased by $339,587, the Affinity Loan increased by $821,598 resulting from the removal of the embedded derivative liability of $578,561, the Feldman Loan increased to $330,590, decrease deferred income tax liability of $440,603 and reserves increase by $121,965 in relation to the valuation of warrants associated to the replacement warrants and Affinity Loan on acquisition. As a result of the items noted above net loss for the period of decreased by $84,598. This decreased accumulated deficit to $24,655,653 from $24,740,251.

4. 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 period ended February 28, 2021, or the year ended August 31, 2020. The Company is not subject to externally imposed capital requirements other than those described in note 22.

5. 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 ($2.00 USD) to $9.92 ($7.50 USD) 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%.

(Expressed in Canadian dollars) (Unaudited)

5. Acquisition of 6WIC (continued)

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 14.

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 7 (a))		(1,436,843)
Deferred salary loans		(1,817,098)
Deferred revenue		(528,944)
Net assets acquired	$	19,296,854

5. Acquisition of 6WIC (continued)

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 for the year ended August 31, 2020.

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.

6. Receivables

As at February 28, 2021, the Company's amount receivable of $144,456 (2020- $22,094) is comprised of Goods and Services Tax / Harmonized Sales Tax ("GST") due from government taxation authorities of $27,796 (2020 - $22,094) and $116,660 (2020 - $Nil) from the Nova Scotia COVID-19 Response Council for the advancement of the Company's AMIP's technology which was received subsequent to period end.

7. 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.

(Expressed in Canadian dollars) (Unaudited)

7. Bridge loan receivable and loans receivable (continued)

(c) Loan Receivable – Long term

On May 22, 2019 the Company extended a 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. The following table reconciles the changes attributable to the Company's AFI loan:

Balance as at August 31, 2019	$	526,170
Advances		239,668
Interest income		88,527
Foreign exchange		(35,322)
Balance as at August 31, 2020	$	819,043
Additions		4,625
Interest income		40,973
Foreign exchange		(26,558)
Balance as at February 28, 2021	$	838,083

8. Investment in associated company and deferred revenue

During the year ended August 31, 2020, the Company acquired 6WIC (note 5), 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. As at the date of these condensed interim consolidated financial statements the Company has not exercised the second option. The Company is in ongoing discussions with Geolithic about exercising the second option and reviewing consideration alternatives.

Geolithic is recognised as an equity investment of the Company. The board of directors 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 5, 6WIC accounted for the $400,000 USD as deferred revenue as 6WIC has not fulfilled its obligation pursuant to the license agreement. As at February 28, 2021 the Company has not fulfilled its obligation pursuant to the license agreement and continues to account for the $506,201 ($400,000 USD) as deferred revenue.

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

Balance as at August 31, 2019	$	-
Additions (note 5)		211,578
Acquisition of shares pursuant to option agreement		99,177
Equity (loss) gain in Geolithic for the year		-
Balance as at August 31, 2020	$	310,755
Equity (loss) gain in Geolithic for the period		-
Balance as at February 28, 2021	$	310,755

(Expressed in Canadian dollars) (Unaudited)

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

A summary of Geolithic's estimated financial information and loss and comprehensive loss is provided below:

	February 28, 2021	August 31, 2020
Total current assets	-	-
Total assets	506,201	522,411
Total current liabilities	-	-
Total long-term liabilities	-	-

	Three months ended February 28, 2021	Six months ended February 28, 2021
Loss and comprehensive loss	-	-
Company's share of loss for the period	-	-

9. Equipment

	Office equipment	Furniture and fixtures	Research equipment	Total
Cost				
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
Additions	1,866	-	-	1,866
Balance, February 28, 2021	22,716	1,460	335,648	359,824
Accumulated amortization				
Balance, August 31, 2019	$ -	$ -	$ -	$ -
Amortization	3,433	256	54,141	57,830
Balance, August 31, 2020	3,433	256	54,141	57,830
Amortization	3,049	177	49,126	52,352
Balance, February 28, 2021	6,482	433	103,267	110,182
Net book value				
Balance, August 31, 2020	$ 17,417	$ 1,204	$ 281,507	$ 300,128
Balance, February 28, 2021	$ 16,234	$ 1,027	$ 232,381	$ 249,642

(Expressed in Canadian dollars) (Unaudited)

10. Right of use asset

As a result of the Merger Transaction, as further described in note 5, 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:

Cost		
As at September 1, 2019	$	-
Additions		345,125
As at August 31, 2020		345,125
Additions		-
As at November 30, 2020	$	345,125
Accumulated amortization		
As at September 1, 2019	$	-
Charge for the year		69,025
As at August 31, 2020	$	69,025
Charge for the period		59,164
As at February 28, 2021	$	128,189
Net book value		
As at August 31, 2020	$	276,100
As at February 28, 2021	$	216,936

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

11. 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 5, to be $2,098,105. A summary of the Company's intangible assets is provided below:

	Intellectual property (acquisition of 6WIC)	Website domains	Total
Cost			
Balance, August 31, 2019	$ -	$ -	$ -
Additions	2,098,105	23,281	2,121,386
Balance, August 31, 2020	2,098,105	23,281	2,121,386
Additions	-	-	-
Balance, November 30, 2020	2,098,105	23,281	2,121,386
Accumulated amortization			
Balance, August 31, 2019	$ -	$ -	$ -
Amortization	244,779	-	244,779
Balance, August 31, 2020	244,779	-	244,779
Amortization	209,810	-	209,810
Balance, February 28, 2021	454,589	-	454,589
Net book value			
Balance, August 31, 2020	$ 1,853,326	$ 23,281	$ 1,876,607
Balance, February 28, 2021	$ 1,643,516	$ 23,281	$ 1,666,797

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) (Unaudited)

12. 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.

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:

Balance as at August 31, 2019	$ -
Additions (Acquisition of 6WIC) (note 5)	20,896,856
Impairment	(12,658,000)
Balance as at August 31, 2020	$ 8,238,856
Additions	-
Impairment	-
Balance as at February 28, 2021	$ 8,238,856

13. Lease liability

As a result of the Merger Transaction, as further described in note 5, 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:

	August 31, 2020	Additions	Interest accretion	Interest payments	Principal payments	Foreign exchange	Current portion	February 28, 2021
Office lease liability	$ 291,193	$ -	$ 20,222	$ (20,222)	$ 51,615	$ (8,490)	$ (118,421)	$ 112,667
	$ 291,193	$ -	$ 20,222	$ (20,222)	$ 51,615	$ (8,490)	$ (118,421)	$ 112,667

	August 31, 2019	Additions	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

14. 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 5, 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.

On December 30, 2020, the Company repaid $774,761 ($600,000 USD) out of the total $1,124,761 ($871,368 USD) of debt owed. The remaining amount of repaid debt, being $350,000 ($271,368 USD) was refinanced and settled by the issuance of 350 convertible debentures as further described in note 15.

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 5, 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.

On January 29, 2021, the Company settled the principal balance owing plus accrued interest totalling $351,461 ($276,178 USD) though the issuance of 1,301,520 common shares of the Company.

(Expressed in Canadian dollars) (Unaudited)

14. Convertible promissory notes (continued)

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

	Feldman Loan	Affinity Loan	Total
Balance as at August 31, 2019	$ -	$ -	$ -
Additions	330,590	1,322,359	1,652,949
Accrued interest	20,417	76,505	96,922
Repayments	-	(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
Additions	-	-	-
Accrued interest	14,591	39,342	53,933
Repayments	-	(856,231)	(856,231)
Settlement	(351,461)	(350,000)	(701,461)
Foreign exchange	(9,166)	(17,281)	(26,447)
Balance as at February 28, 2021	$ -	$ -	$ -

15. 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.

15. Convertible debentures (continued)

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.

December 18, 2020, December 21, 2020, December 22, 2020 and December 30, 2020 Issuance

On December 18, 21, 22, and 30 2020, the Company closed the sale of 1,523 unsecured convertible debenture units for gross proceeds of $1,113,000 and settlement of outstanding balances of $410,000 which includes $350,000 to settle the remaining amount owed to Affinity Nanotechnology Inc. 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 year commencing on June 30, 2021. At any time prior to maturity, the debentures can be converted to units at the option of the holders at a conversion price of $0.275 per unit. Each unit consist 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 $0.55 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 228,450 commitment warrants.

In the event that the Company's common shares trade at a closing price of $0.65 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 $963,664 and the equity component is $284,778 of which $217,171 was allocated to reserves to account for the warrants contained within the units.

The commitment warrants have a combined fair value of $31,634 estimated using the Black-Scholes option pricing model with a volatility of 110.17%, risk-free interest rate ranging from 0.20% to 0.24%, 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 141,272 finders' warrants in two tranches. The finder's warrants issued has a fair value of $25,753 estimated using the Black-Scholes option pricing model with a volatility of 94.47%, risk-free interest rate of 0.25%, dividend rate of 0% and expected life of 3 years.

(Expressed in Canadian dollars) (Unaudited)

15. Convertible debentures (continued)

Transaction costs totaled $57,387, of which $37,733 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 $11,151 was charged to the equity component and $8,503 was charged to the warrant component.

Interest and accretion expense for the period ended February 28, 2021 was $61,602 (2020 - $Nil). The following table reconciles the changes attributable to the Company's convertible debentures issued and outstanding as at February 28, 2021:

	February 28, 2021	August 31, 2020
Opening balance	$ 466,436	$ -
Additions	1,523,000	742,000
Warrant component	(217,171)	(110,052)
Equity component	(284,778)	(132,401)
Transaction costs	(57,387)	(34,074)
Interest and accretion	61,602	963
Closing balance	$ 1,491,702	$ 466,436

16. Loan payable

Orca Holdings, LLC

On February 19, 2021, the Company secured a bridge loan in the amount of $155,198 from Orca Holdings, LLC. The bridge loan is interest free and is repayable on April 30, 2021.

PPP Loan

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 the loan has been forgiven by the SBA. As at August 31, 2020, the Company has incurred eligible payroll costs of $195,423, which were offset against the loan balance.

17. Deferred salary loans

In accordance with the Merger Transaction, as further described in note 5, 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:

	February 28, 2021	August 31, 2020
Opening balance	$ 1,747,052	$ -
Additions (note 5)	-	1,817,098
Principal and interest repayments	(81,994)	(135,730)
Foreign exchange	(51,000)	(30,407)
Interest	71,982	96,091
Current portion	(1,686,040)	(1,035,115)
Ending balance	$ -	$ 711,937

18. 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 February 28, 2021 there were 90,498,221 issued and fully paid common shares and Nil preferred shares issued. As at August 31, 2020 there were 80,234,101 issued and fully paid common shares and Nil preferred shares issued.

Changes in share capital during the six-month period ended February 28, 2021

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. The fair value of the warrants is $25,719, estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 105.41%, risk-free interest rate of 0.26%, expected life of 2 years and a dividend rate of 0%.

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. The fair value of the warrants is $2,663, estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 108.73%, risk-free interest rate of 0.27%, expected life of 2 years and a dividend rate of 0%.

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. The Company recorded $543,072 (2019 - $Nil) in management and consulting expense and $61,800 in research and development expense (2019 - $Nil) for share compensation earned during the period.

On December 31, 2020, the Company issued 75,479 common shares to settle interest on convertible debentures of $26,417.

On January 31, 2021, the Company settled convertible debt in the amount of $351,461 ($276,178 USD) through the issuance of 1,301,250 common shares.

On February 23, 2021, the Company received $40,000 in connection with the exercise of 100,000 stock options.

(Expressed in Canadian dollars) (Unaudited)

18. Share capital (continued)

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 5). 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.

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%.

(b) Warrants

The continuity schedule of share purchase warrants is as follows:

	Number of share purchase warrants	Weighted Average Exercise Price
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
Granted	7,306,293	$0.49
Exercised	-	-
Balance, February 28, 2021	14,246,534	$0.64

(Expressed in Canadian dollars) (Unaudited)

18. 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	0.42 years	1,777,778	July 31, 2021
$0.75	0.84 years	735,148	December 31, 2021
$0.90	0.84 years	248,957	December 31, 2021
$0.75	0.89 years	71,916	January 20, 2022
$0.75	0.92 years	244,762	January 31, 2022
$0.90	0.92 years	944,607	January 31, 2022
$0.9375	1.42 years	944,607	July 31, 2022
$0.55	1.47 years	84,000	August 20, 2022
$0.30	1.50 years	43,049	August 28, 2022
$0.50	1.50 years	614,994	August 28, 2022
$0.55	1.50 years	27,300	August 31, 2022
$0.90	1.92 years	110,117	January 31, 2023
$0.975	1.92 years	944,607	January 31, 2023
$0.35	2.47 years	112,000	August 20, 2023
$0.35	2.50 years	36,400	August 31, 2023
$0.50	1.51 years	1,611,880	September 1, 2022
$0.50	1.56 years	3,833,667	September 21, 2022
$0.30	1.56 years	146,790	September 21, 2022
$0.50	1.72 years	1,325,334	November 18, 2022
$0.30	1.72 years	18,900	November 18, 2022
$0.35	2.80 years	141,272	December 18, 2023
$0.55	1.80 years	92,250	December 18, 2023
$0.55	1.81 years	26,250	December 21, 2022
$0.55	1.81 years	57,450	December 22, 2022
$0.55	1.84 years	52,500	December 30, 2022
$0.64	1.36 years	14,246,534	

(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.

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.

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.

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. These options were valued at $389,850 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 0.34%, expected dividend yield 0%, share price $0.38, exercise price $0.35, volatility 141.17%, and expected life 5 years.

(Expressed in Canadian dollars) (Unaudited)

18. Share capital (continued)

During the six-month period ended February 28, 2021, the Company recognized $265,387 (2020 - $392,491) in share-based compensation for options vested during the period.

The continuity schedule of stock options is as follows:

	Number of stock options	Weighted Average Exercise Price ($)
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
Granted	1,150,000	$0.35
Exercised	100,000	$0.40
Balance, February 28, 2021	5,925,000	$0.52

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

Weighted average exercise price	Remaining contractual life	Number of options outstanding	Number of options exercisable	Expiry Date
$0.40	2.65 years	2,550,000	2,550,000	October 22, 2023
$0.75	3.36 years	100,000	100,000	July 9, 2024
$0.75	3.72 years	1,180,000	786,667	November 15, 2024
$0.75	3.88 years	945,000	663,333	January 13, 2025
$0.35	4.63 years	1,150,000	-	October 16, 2025
$0.52	3.45 years	5,925,000	4,100,000	

(d) Deferred share units

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.

On October 16, 2020 the Company issued 2,000,000 deferred share units under its deferred share unit plan to directors and Officers of the Company resulting in total expense of $318,836 (2020 - $Nil) recognized in share-based compensation expense for the period ended February 28, 2021.

The DSU's vest 25% immediately on the award date, 25% on the one-year anniversary of the award date, 25% on the two-year anniversary of the award date and 25% on the three-year anniversary of the award date. Early vesting is provided in the event of termination without cause, resignation at the request of the Company, death, or on the occurrence of a change of control of the Company. During the period ended February 28, 2021, 500,000 (2020 - Nil) DSU's have vested.

(e) Escrowed shares

As at February 28, 2021, 10,187,589 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 (note 5). These shares will be released from escrow on or before July 31, 2021.

(Expressed in Canadian dollars) (Unaudited)

19. 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 and significant shareholders are summarized as follows:

	Period Ended February 28, 2021	Period Ended February 29, 2020
Management and consulting fees	$ 498,149	$ 370,331
Director's fees and consulting fees paid to directors	153,708	-
Share-based payments	405,655	18,071
Deferred salary loan payments	-	19,191
Total	$ 1,057,513	$ 407,593

(a) During the period ended February 28, 2021, the Company incurred $151,666 (2020 – $160,970) in management and consulting expense to the CEO of the Company pursuant to CEO services provided. The Company recorded $142,783 in share-based compensation representing the fair value of options and DSU's that were granted to the CEO which have vested during the period. As at February 28, 2021, the balance owing under the deferred salary loan agreement to the CEO is $555,058 (2020 – $539,191). On closing of the Merger Transaction, as outlined in note 5, the CEO was entitled to a repayment of $176,194 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 February 28, 2021. As at February 28, 2021, the Company owed the CEO $175,000 (2020 – $100,000) for an unpaid bonus and retention bonus which is recorded in accounts payable and accrued liabilities.

(b) During the period ended February 28, 2021, the Company incurred $79,600 (2020 - $55,000) in director's fees and management and consulting expense to the CFO of the Company pursuant to CFO and Director services provided. The Company recorded $39,508 (2020 - $871) in share-based compensation representing the fair value of options and DSU's that were granted to the CFO which have vested during the period.

(c) During the period ended February 28, 2021, the Company paid $Nil (2020 - $25,000) 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. Until January 31, 2020 the Company recorded $5,193 in share-based compensation representing the fair value of options that were granted to the former CFO and Director.

(d) During the period ended February 28, 2021, the Company incurred $152,464 (2020 - $Nil) in management and consulting expense to the COO of the Company pursuant to COO services provided. Company recorded $39,496 in share-based compensation representing the fair value of options that were granted to the COO which have vested during the period. As at February 28, 2021 the Company owed the COO $43,098 (2020 – $Nil) for unpaid payroll.

(e) During the period ended February 28, 2021, the Company incurred $114,419 (2020 – $119,361) in management and consulting expense to the Executive Vice President ("EVP") of the Company for EVP services provided. The amount incurred included a one-time signing bonus of $Nil (2020 - $100,000). The Company recorded $142,783 (2020 - $1,742) in share-based compensation representing the fair value of options and DSU's that were granted to the EVP which have vested during the period. As at February 28, 2021, the balance owing in accordance with the deferred salary loan agreement is $489,432 (2020 – $512,604). As at February 28, 2021 the Company owed the EVP $34,282 (2020 – $Nil) for unpaid payroll which is included in accounts payable and accrued liabilities. In addition, as at February 28, 2021, the Company owed the EVP $75,000 (2020 - $Nil) for an unpaid retention bonus which is recorded in accounts payable and accrued liabilities.

(f) During the six months ended February 29, 2020, the Company paid $10,000, in management and consulting expense 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. Until January 31, 2020 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 period.

(g) During the period ended February 28, 2021, the Company incurred $153,708 (2020 – $Nil) for director's fees and management and consulting expenses to the remaining directors of the Company. The Company recorded $41,085 (2020 – $5,807) in share-based compensation representing the fair value of options and DSU's granted to directors of the Company which have vested during the period.

(Expressed in Canadian dollars) (Unaudited)

20. Supplemental disclosure with respect to cash flows

	Period Ended February 28, 2021, 2021 ($)	Period Ended February 29 2020 ($)
Cash paid for income taxes	-	-
Cash paid for interest	98,530	12,162

Significant non-cash transactions during the period ended February 28, 2021 and February 29 2020:

	Period Ended February 28, 2021, 2021 ($)	Period Ended February 29 2020 ($)
Warrants issued as finders fees	51,410	28,453

21. 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 February 28, 2021 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 February 28, 2021, the Company had a cash balance of $107,556 (August 31, 2020 - $720,292) to settle accounts payable and accrued liabilities of $1,530,625 (August 31, 2020 - $1,650,173).

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.

(Expressed in Canadian dollars) (Unaudited)

21. 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 February 28, 2021, 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 February 28, 2021, the Company had a foreign currency net monetary liability position of $2,479,745 USD. Each 1% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain or loss of approximately $24,797.

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.

22. 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 13).

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 17). 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 debentures

During August and December 2020, the Company closed the sale of 2,265 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 15.

As of February 28, 2021, these commitments required total payments including estimated common expenses, as follows:

	$
Payable not later than one year	1,829,023
Payable later than one year and not later than five years	2,536,304
Payabale later than five years	-
	4,365,328

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 5.

22. Commitments (continued)

Termination benefits

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.

23. Subsequent events

On March 31, 2021, the Company closed a non-brokered private placement of units. Pursuant to the financing, the Company issued 20 million units at a price of $0.30 per unit for gross proceeds of $6,000,000.

Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one additional common share at an exercise price of $0.50 for a period of 24 months after closing.

In connection with the financing, the Company paid finders' fees in the aggregate amount of $344,722 and issued a total of 1,099,350 finders' warrants to certain arm's-length finders. Each finder's warrant entitles the holder to purchase one common share at an exercise price of $0.375 per common share for a period of 24 months after closing.