Sixth Wave Innovations Inc.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months ended May 31, 2021

(Expressed in Canadian Dollars)

(Unaudited)

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

	Note		May 31 2021		August 31, 2020
ASSETS					
Current assets					
Cash		$	3,223,271	$	720,292
Receivables	6		27,723		22,094
Prepaid expenses and other			386,614		118,329
Loan receivable	7		299,709		-
Total current assets			3,937,317		860,715
Non-current assets					
Investment in associated company	8		-		310,755
Loan receivable	7		-		819,043
Equipment	9		256,068		300,128
Right of use asset	10		187,354		276,100
Intangible assets	11		1,702,519		1,876,607
Goodwill	12		8,238,856		8,238,856
Total non-current assets			10,384,797		11,821,489
TOTAL ASSETS		**$**	**14,322,114**	**$**	**12,682,204**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	19	$	965,249	$	1,650,173
Current portion of lease liability	13		117,556		112,805
Convertible promissory notes	14		-		1,530,206
Deferred salary loans	17		1,050,029		1,035,115
Total current liabilities			2,132,834		4,328,299
Non-current liabilities					
Lease liability	13		76,938		178,388
Deferred salary loans	17		271,752		711,937
Deferred revenue	8		-		522,411
Convertible debentures	15		1,550,398		466,436
Total non-current liabilities			1,899,088		1,879,172
TOTAL LIABILITIES		**$**	**4,031,922**	**$**	**6,207,471**
SHAREHOLDERS' EQUITY					
Share capital	18		52,496,597		43,614,558
Reserves	18		5,613,003		4,213,430
Equity component of convertible debentures	15		417,179		132,401
Subscriptions received	18		-		163,564
Accumulated deficit			(48,236,587)		(41,649,220)
TOTAL SHAREHOLDERS' EQUITY		**$**	**10,290,192**	**$**	**6,474,733**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**14,322,114**	**$**	**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 July 30, 2021

(s) Jonathan Gluckman
Jonathan Gluckman, Director

(s) Sokhie Puar
Sokhie Puar, Director

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

SIXTH WAVE INNOVATIONS INC.

Condensed Interim Consolidated Statement of Loss and Comprehensive Loss

(Expressed in Canadian dollars) (Unaudited)

	Note	**Three months ended May 31, 2021**	Three months ended May 31, 2020 Restated (note 3)	**Nine months ended May 31, 2021**	Nine months ended May 31, 2020 Restated (note 3)
EXPENSES					
Amortization	9, 10 and 11	**$ 161,585**	$ 157,922	**$ 482,911**	$ 209,688
Advertising and promotion		**108,692**	316,896	**340,484**	698,538
Management and consulting	19	**870,834**	961,730	**2,481,075**	1,899,743
Office and miscellaneous		**15,627**	21,553	**85,466**	45,222
Professional fees		**115,285**	284,412	**412,159**	479,041
Rent expense		**-**	13,645	**14,100**	79,186
Regulatory and filing fees		**28,478**	20,393	**86,002**	41,122
Share based compensation	18 and 19	**192,723**	265,514	**854,709**	658,005
Research and development		**312,222**	315,899	**902,309**	958,865
Transaction costs	5	**-**	-	**-**	1,213,621
Travel and related		**1,508**	19,370	**16,090**	170,605
Loss before other items		**(1,806,954)**	(2,377,334)	**(5,675,305)**	(6,453,636)
Loan receivable impairment	7	**(519,810)**	-	**(519,810)**	-
Loss on debt settlement		**(93,427)**	-	**(93,427)**	-
Other income		**20,699**	21,611	**111,705**	150,511
Interest expense		**(152,761)**	(88,911)	**(423,042)**	(126,960)
Foreign exchange gain (loss)		**4,870**	(2,818)	**12,512**	(45,719)
Net loss and comprehensive loss for the period		**$ (2,547,383)**	$ (2,447,452)	**$ (6,587,367)**	$ (6,475,804)
Basic and diluted loss per common share		**$ (0.02)**	$ (0.03)	**$ (0.07)**	$ (0.10)
Basic and diluted weighted average number of common shares outstanding		**104,508,707**	74,536,682	**93,377,560**	64,329,749

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

SIXTH WAVE INNOVATIONS INC.
Condensed Interim 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)	14,591,741	10,214,981	28,453	-	(745,000)	-	9,498,434
Shares issued for exercise of warrants	9,323,455	606,025	-	-	-	-	606,025
Share based payments	-	-	658,005	-	-	-	658,005
Shares issued 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 acquisition of 6WIC (restated - note 3)	14,291,056	10,718,292	704,064	-	-	-	11,422,356
Net loss for the period (restated - note 3)	-	-	-	-	-	(6,475,804)	(6,475,804)
Balance at May 31, 2020	79,619,107	43,503,756	3,903,717	-	-	(27,152,427)	20,255,046
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)	26,770,881	7,184,791	303,227	-	(163,564)	-	7,324,454
Share based payments (note 18)	2,016,240	604,872	854,709	-	-	-	1,459,581
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 convertible 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
Shares issued on settlement of deferred salary loans (note 17)	667,335	293,628	-	-	-	-	293,628
Shares issued on acquisition of Geolithic (note 8)	800,000	348,000	-	-	-	-	348,000
Net loss for the period	-	-	-	-	-	(6,587,367)	(6,587,367)
Balance at May 31, 2021	111,965,556	52,496,597	5,613,003	417,179	-	(48,236,587)	10,290,192

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

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

	Note	Nine months ended May 31, 2021 ($)	Nine months ended May 31, 2020 ($) Restated (note 3)
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES			
Net loss for the period		(6,587,367)	(6,475,804)
Adjustments for items not involving cash:			
Amortization	9, 10 and 11	482,911	209,688
Amortization included in research and development expense		-	98,776
Share-based compensation	18	854,709	658,005
Share compensation in management and consulting		543,072	-
Share compensation in research and development		61,800	-
Accretion expense		148,576	-
Accrued interest expense		167,689	57,004
Interest income		(61,672)	
Other income		-	981
Loss on debt settlement	17	93,427	-
Impairment of loan receivable	7	519,810	-
Unrealized foreign exchange		(105,393)	76,203
		(3,882,438)	(5,375,147)
Change in non-cash operating working capital items:			
Accounts receivable		(9,913)	(73,874)
Accounts payable and accrued liabilities		(668,706)	(531,442)
Cash held in subscription receipts		-	2,470,327
Prepaid expenses and other		(190,770)	(33,854)
Net cash used in operating activities		(4,751,827)	(3,543,990)
CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES			
Proceeds on issuance of shares (net of costs)	18	7,324,454	7,231,713
Proceeds from issuance of convertible debentures	15	1,113,000	-
Repayment of deferred salary loans	17	(219,446)	(80,553)
Repayment of convertible promissory note	14	(849,349)	(69,800)
Issuance of common shares on exercise of options	18	40,000	-
Proceeds from loan	16	155,198	195,423
Repayment of loan	16	(150,000)	-
Exercise of warrants		-	606,024
Lease liability payments	13	(106,522)	(32,879)
Net cash provided by financing activities		7,307,335	7,849,928
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES			
Purchase of equipment		(35,389)	(107,028)
Advances to AFI	7	(4,625)	(232,969)
Cash paid in the acquisition of Geolithic shares	8	(12,515)	(99,177)
Cash paid in the acquisition of 6WIC	5	-	(3,695,405)
Cash acquired in the acquisition of 6WIC	5	-	49,266
Net cash used in investing activities		(52,529)	(4,085,313)
Change in cash during the period		**2,502,979**	**220,625**
Cash, beginning of the period		**720,292**	**610,425**
Cash, end of the period		**3,223,271**	**831,050**

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's common shares are listed 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 May 31, 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. During the period ended May 31, 2021, the Company incurred a loss of $6,587,367 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.

In preparing the Company's condensed interim consolidated financial statements for the nine months ended May 31, 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.

3. Basis of presentation (continued)

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 nine months ended May 31, 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 due to the following adjustments: the Affinity Loan increased by $660,586 resulting from the removal of the embedded derivative liability of $489,338 which increased goodwill by $327,634 and the difference of $156,388 impacting loss due to removal of accretion and change in the derivative liability. This decreased accumulated deficit to $27,152,427 from $27,308,813. The Feldman Loan increased to $330,590 which increased goodwill by $330,590. The deferred income tax liability decreased by $440,603 which increased goodwill by $440,603. Reserves increased by $121,965 and goodwill decreased by $121,965 in relation to the valuation of warrants associated to the replacement warrants on acquisition and warrants issued relating to the acquisition of 6WIC.

The restatement affected the cash flows used in operating activities relating to the accretion expense and change in fair value of derivative liability.

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 May 31, 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

(Expressed in Canadian dollars) (Unaudited)

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 May 31, 2021, the Company's amount receivable of $27,723 (2020- $22,094) is comprised of Goods and Services Tax / Harmonized Sales Tax ("GST") due from government taxation authorities.

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.

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, August 31, 2019	$	526,170
Advances		239,666
Interest income		88,527
Foreign exchange		(35,320)
Balance, August 31, 2020	$	819,043
Additions		4,625
Interest income		61,672
Foreign exchange		(65,821)
Provision for impairment		(519,810)
Balance, May 31, 2021	$	299,709

(Expressed in Canadian dollars) (Unaudited)

7. Bridge loan receivable and loans receivable (continued)

Loans are reviewed for impairment on an individual basis. The assessment of impairment is based on the expected ability of the payor to make the required payments when due. As at May 31, 2021, the Company determined that this loan was impaired based on the valuation of the underlying asset securing the loan and the holder's ability to repay the balance outstanding . The Company obtained an independent valuation which determined the collateral had a fair market value of $299,709 ($248,300 USD).

8. Acquisition of Geolithic

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.

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.

On February 28, 2020, the Company entered into an option agreement with TLE to acquire additional interest in Geolithic. The Company had two options to purchase the entirety of Geolithic's shares, exercised in two separate transactions 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. On October 30, 2020, the Company made a payment of $12,515 ($10,000 USD) against the second payment. On April 13, 2021, the Company and TLE agreed to settle the remaining amount owing of $215,000 USD through the issuance of 800,000 common shares of the Company with a fair value of $348,000 and as a result the Company acquired 100% of the outstanding of common shares of Geolithic. Originally and up until April 13, 2021, Geolithic was recognized as an equity investment of the Company.

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

Balance, August 31, 2019	$ -
Additions (note5)	211,578
Aquations of shares pursuant to option agreement	99,177
Equity (loss) gain in Geolithic for the year	-
Balance, August 31, 2020	$ 310,755
Equity (loss) gain in Geolithic for the period	-
Balance, April 13, 2021	$ 310,755

The acquisition of Geolithic has been treated as an asset acquisition. The assets and liabilities of Geolithic assumed on acquisition were as follows:

Consideration	
Value of investment prior to acquisition	$ 310,755
Cash paid	12,515
Value of shares issued	348,000
Total consideration	$ 671,270
Net assets acquired	
Receivables	$ 530,642
Intellectual property	140,628
As at May 31, 2021	$ 621,270

The intellectual property acquired relates to the development rights of Geolithic's lithium extraction technology. Amortization of the intellectual property will commence once the technology is available for commercial production.

(Expressed in Canadian dollars) (Unaudited)

9. Equipment

	Office equipment	Furniture and fixtures	Research equipment	Total
Costs				
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	-	33,523	35,389
Balance, May 31, 2021	22,716	1,460	369,171	393,347
Accumulated amortization				
Balance, August 31 2019	$ -	$ -	$ -	$ -
Amortization	3,433	256	54,141	57,830
As at August 31, 2020	3,433	256	54,141	57,830
Amortization	4,425	261	74,763	79,449
As at May 31, 2021	7,858	517	128,904	137,279
Net book value				
Balance, August 31, 2020	$ 17,417	$ 1,204	$ 281,507	$ 300,128
Balance, May 31, 2021	$ 14,858	$ 943	$ 240,267	$ 256,068

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:

Costs	
As at September 1, 2019	$ -
Additions	345,125
As at August 31, 2020	$ 345,125
Additions	-
As at May 31, 2021	$ 345,125
Accumulated amortization	
As at September 1, 2019	$ -
Change for the year	69,025
As at August 31, 2020	$ 69,025
Change for the period	88,746
As at May 31, 2021	$ 157,771
Net book value	
As at August 31, 2020	$ 276,100
As at May 31, 2021	$ 187,354

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

(Expressed in Canadian dollars) (Unaudited)

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. The Company has determined the fair value of the intellectual property acquired in connection with the acquisition of Geolithic, as further described in note 8, to be $140,628. A summary of the Company's intangible assets is provided below:

	Intellectual property (acquisition of Geolithic)	Intellectual property (acquisition of 6WIC)	Website domains	Total
Costs				
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	140,628	-	-	140,628
Balance, May 31, 2021	140,628	2,098,105	23,281	2,262,014
Accumulated amortization				
Balance, August 31, 2019	$ -	$ -	$ -	$ -
Amortization	-	244,779	-	244,779
Balance, August 31, 2020	-	244,779	-	244,779
Amortization	-	314,716	-	314,716
Balance, May 31, 2021	-	559,495	-	559,495
Net book value				
Balance, August 31, 2020	$ -	$ 1,853,326	$ 23,281	$ 1,876,607
Balance, May 31, 2021	$ 140,628	$ 1,538,610	$ 23,281	$ 1,702,519

Amortization on the intellectual property acquired from 6WIC is calculated using the straight-line method over the estimated life of the intellectual property of 5 years. Amortization on the intellectual property acquired from Geolithic will commence once the technology is available for commercial production.

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. 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.

(Expressed in Canadian dollars) (Unaudited)

12. Goodwill (continued)

The following table reconciles the changes attributable to goodwill:

Balance, August 31, 2019	$ -
Additions (Acquisition of 6WIC) (note5)	20,896.856
Impairment	(12,658,000)
Balance, August 31, 2020	$ 8,238,856
Additions	-
Impairment	-
Balance, May 31, 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	May 31, 2021
Office lease liability	$ 291,193	-	28,278	(28,278)	(78,244)	(18,455)	(117,556)	$ 76,938

	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

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 $750,819 ($600,000 USD) out of the total $1,100,819 ($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.

(Expressed in Canadian dollars) (Unaudited)

14. Convertible promissory notes (continued)

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 $351,410 ($276,178 USD) though the issuance of 1,301,520 common shares of the Company.

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	-	(849,349)	(849,349)
Settlement	(351,410)	(350,000)	(701,410)
Foreign exchange	(9,217)	(24,163)	(33,380)
Balance as at May 31, 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 nine 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.

15. Convertible debentures (continued)

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.

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 $60,000 and $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 nine 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 $501,949 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.

(Expressed in Canadian dollars) (Unaudited)

15. Convertible debentures (continued)

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.

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 May 31, 2021 was $120,298 (2020 - $Nil). The following table reconciles the changes attributable to the Company's convertible debentures issued and outstanding as at May 31, 2021:

	May 31, 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	120,298	963
Closing balance	$ 1,550,398	$ 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. On March 31, 2021 the Company repaid $150,000 and as at May 31, 2021 $5,198 remains outstanding which is recorded in account payables and accrued liabilities.

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 were to be repaid over 24 months at various payment amounts.

On April 8, 2021, the Company re-negotiated debt owing in the amount of $420,421 ($333,218 USD). A total of $210,211 ($166,609 USD) has been settled by the issuance of 667,335 common shares of the Company with a fair value of $293,628. A total of $107,796 ($83,304 USD) has been repaid. The remaining amount owing of will accrue interest at a rate of 0.667% compounded monthly and is to be repaid in September 2022.

On April 30, 2021, the Company re-negotiated debt owing in the amount of $207,119 ($168,451 USD). The Company extended the maturity date of the debt from January 31, 2021 to October 31, 2025. The balance will accrue interest a rate of 0.667% compounded monthly.

(Expressed in Canadian dollars) (Unaudited)

17. Deferred salary loans (continued)

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

	May 31, 2021	August 31, 2020
Opening balance	$ 1,747,052	$ -
Additions (note 5)	-	1,817,098
Principal and interest repayments	(219,446)	(135,730)
Foreign exchange	(109,370)	(30,407)
Interest	113,756	96,091
Settled	(210,211)	-
Current portion	(1,050,029)	(1,035,115)
Closing balance	$ 271,752	$ 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 May 31, 2021 there were 111,965,556 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 nine-month period ended May 31, 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%.

18. Share capital (continued)

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 promissory note in the amount of $351,410 ($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.

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. The fair value of the warrants is $274,844, estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 116.71%, risk-free interest rate of 0.22%, expected life of 2 years and a dividend rate of 0%.

On April 13, 2021, the Company and acquired 100% of the outstanding common shares of Geolithic and agreed to settle the remaining amount owing of $215,000 USD through the issuance of 800,000 common shares of the Company to TriLateral Energy, LLC with a fair value of $348,000 as further described in note 8.

On April 8, 2021, the Company re-negotiated debt owing in the amount of $420,421 ($333,218 USD). A total of $210,211 ($166,609 USD) has been settled by the issuance of 667,335 common shares of the Company with a fair value of $293,628 as further described in note 17.

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.

(Expressed in Canadian dollars) (Unaudited)

18. Share capital (continued)

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	28,405,643	$0.49
Exercised	-	-
Balance, May 31, 2021	35,345,885	$0.55

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	0.17 years	1,777,778	July 31, 2021
$0.75	0.59 years	735,148	December 31, 2021
$0.90	0.59 years	248,957	December 31, 2021
$0.75	0.64 years	71,916	January 20, 2022
$0.75	0.67 years	244,762	January 31, 2022
$0.90	0.67 years	944,607	January 31, 2022
$0.9375	1.17 years	944,607	July 31, 2022
$0.55	1.22 years	84,000	August 20, 2022
$0.30	1.24 years	43,049	August 28, 2022
$0.50	1.24 years	614,994	August 28, 2022
$0.55	1.25 years	27,300	August 31, 2022
$0.50	1.25 years	1,611,880	September 1, 2022
$0.50	1.31 years	3,833,667	September 21, 2022
$0.30	1.31 years	146,790	September 21, 2022
$0.50	1.47 years	1,325,334	November 18, 2022
$0.30	1.47 years	18,900	November 18, 2022
$0.55	1.55 years	92,250	December 18, 2023
$0.55	1.56 years	26,250	December 21, 2022
$0.55	1.56 years	57,450	December 22, 2022
$0.55	1.58 years	52,500	December 30, 2022
$0.90	1.67 years	110,117	January 31, 2023
$0.975	1.67 years	944,607	January 31, 2023
$0.50	1.83 years	20,000,000	March 31, 2023
$0.375	1.83 years	1,099,350	March 31, 2023
$0.35	2.22 years	112,000	August 20, 2023
$0.35	2.25 years	36,400	August 31, 2023
$0.35	2.55 years	141,272	December 18, 2023
$0.55	1.54 years	35,345,885	

(Expressed in Canadian dollars) (Unaudited)

18. Share capital (continued)

(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 $389,407 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.

On March 15, 2021, the Company granted a total of 500,000 options to directors, employees, advisory board members and consultants. The options are exercisable at a price of $0.46 per share and will expire on March 15, 2026. One-third of the options will vest after six months, with a further third vesting every six months thereafter. These options were valued at $177,900 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 1.02%, expected dividend yield 0%, share price $0.425, exercise price $0.46, volatility 125.51%, and expected life 5 years.

During the nine-month period ended May 31, 2021, the Company recognized $448,074 (2020 - $658,005) in share-based compensation expense 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	1,650,000	$0.38
Exercised	(100,000)	$0.40
Cancelled	(210,000)	$0.75
Balance, May 31, 2021	6,215,000	$0.51

(Expressed in Canadian dollars) (Unaudited)

18. Share capital (continued)

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	2.39 years	2,550,000	2,550,000	October 22, 2023
$0.75	3.46 years	1,080,000	1,080,000	November 15, 2024
$0.75	3.62 years	935,000	656,667	January 13, 2025
$0.35	4.38 years	1,150,000	383,333	October 16, 2025
$0.46	4.79 years	500,000	-	March 15, 2026
$0.51	3.33 years	6,215,000	4,670,000	

(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 DSUs to a director and officers of the Company with a total value of $760,000. During the period ended May 31, 2021 the Company recognized $406,635 (2020 - $Nil) in share-based compensation expense for DSUs which have vested during the period.

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 May 31, 2021, 500,000 (2020 - Nil) DSU's have vested.

(e) Escrowed shares

As at May 31, 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.

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 May 31, 2021	Period Ended May 31, 2020
Management and consulting fees	$ 805,757	$ 545,008
Director's fees and consulting fees paid to directors	195,375	54,479
Share-based payments	552,587	37,811
Deferred salary loan payments	-	42,229
Total	$ 1,553,719	$ 686,527

19. Related party transactions (continued)

(a) During the period ended May 31, 2021, the Company incurred $235,000 (2020 – $235,970) in management and consulting expense to the CEO of the Company pursuant to CEO services provided. The Company recorded $185,654 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 May 31, 2021, the balance owing under the deferred salary loan agreement to the CEO is $536,841 (2020 – $565,531). 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 May 31, 2021. As at May 31, 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 May 31, 2021, the Company incurred $84,000 (2020 - $92,500) 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 $52,163 (2020 - $2,463) 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 May 31, 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 May 31, 2021, the Company incurred $274,434 (2020 - $47,433) in management and consulting expense to the COO of the Company pursuant to COO services provided. Company recorded $53,605 (2020 - $25,109) in share-based compensation representing the fair value of options that were granted to the COO which have vested during the period.

(e) During the period ended May 31, 2021, the Company incurred $212,323 (2020 – $181,538) 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 $185,654 (2020 - $4,926) 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 May 31, 2021, the balance owing in accordance with the deferred salary loan agreement is $473,369 (2020 – $508,306). In addition, as at May 31, 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 nine months ended May 31, 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 May 31, 2021, the Company incurred $195,375 (2020 – $54,479) for director's fees and management and consulting expenses to the remaining directors of the Company. The Company recorded $75,510 (2020 – $23,690) 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 May 31, 2021 ($)	Period Ended May 31, 2020 ($)
Cash paid for income taxes	-	-
Cash paid for interest	98,530	71,640

Significant non-cash transactions during the period ended May 31, 2021 and May 31 2020:

	Period Ended May 31, 2021 ($)	Period Ended May 31, 2020 ($)
Warrants issued as finders fees	303,227	28,453
Warrants issued in connection with convertible debentures	225,674	-
Commitment warrants	48,885	-
Accounts payable settled with convertible debentures	60,000	-
Shares issued on the exercise of options	32,921	-
Shares issued as finder's fees	-	146,025
Shares issued on the settlement of Feldman Loan	351,410	-
Share issued on the settlement of Feldman Deferred Salary Loan	293,628	-
Prepaid expenses in accounts payable	65,000	-
Shares issued on the payment of interest	26,417	-

Refer to note 6 and 8 for further disclosure relating to non-cash transactions.

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 May 31, 2021 the carrying values of cash, receivables, short term 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 May 31, 2021, the Company had a cash balance of $3,223,271 (August 31, 2020 - $720,292) to settle accounts payable and accrued liabilities of $965,249 (August 31, 2020 - $1,650,173).

(Expressed in Canadian dollars) (Unaudited)

21. Financial risk management (continued)

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.

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 May 31, 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 May 31, 2021, the Company had a foreign currency net monetary liability position of approximately $1,478,000 USD. Each 1% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain or loss of approximately $18,000.

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 May 31, 2021, these commitments required total payments including estimated common expenses, as follows:

	$
Payable not later than one year	1,335,568
Payable later than one year and not later than five years	2,345,492
Payable later than five years	-
	3,681,060

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

a. On July 6, 2021, the Company announced the settlement of $1,804,929 of debt held by senior officers of the Company through the issuance of common shares of the company and a cash payment of $200,000.

   Pursuant to the debt settlement agreement, the Company issued 4,849,674 common shares at a deemed price of $0.30 per common share. The common shares will be subject to a voluntary hold period, such that one-eighth of the common shares to be issued will be released from the hold every three months (after an initial four-month statutory hold period) over 24 months

b. The Company issued 392,668 common shares as interest payment in its convertible debentures.