Sixth Wave Innovations Inc.

Consolidated Financial Statements

Years ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sixth Wave Innovations Inc.

Opinion

We have audited the accompanying consolidated financial statements of Sixth Wave Innovations Inc. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred a loss of $16,236,245 during the year ended August 31, 2021 and remains dependent upon the receipt of additional equity/debt financing. As stated in Note 2, these events and conditions indicate that material uncertainties exist that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

December 28, 2021

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

	Note		August 31 2021		August 31, 2020
ASSETS					
Current assets					
Cash		$	1,068,054	$	720,292
Receivables	7		18,239		22,094
Prepaid expenses and other			648,759		118,329
Total current assets			1,735,052		860,715
Non-current assets					
Investment in associated company	9		-		310,755
Loan receivable	8		-		819,043
Property and equipment	10		543,692		300,128
Right of use asset	12		157,772		276,100
Intangible assets	13		1,597,614		1,876,607
Goodwill	14		8,238,856		8,238,856
Total non-current assets			10,537,934		11,821,489
TOTAL ASSETS		**$**	**12,272,986**	**$**	**12,682,204**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	23	$	412,436	$	1,650,173
Current portion of lease liability	15		127,752		112,805
Convertible promissory notes	16		-		1,530,206
Deferred salary loans	17		42,203		1,035,115
Total current liabilities			582,391		4,328,299
Non-current liabilities					
Lease liability	15		46,568		178,388
Deferred salary loans	20		266,822		711,937
Deferred revenue	9		-		522,411
Convertible debentures	18		1,612,023		466,436
Total non-current liabilities			1,925,413		1,879,172
TOTAL LIABILITIES		**$**	**2,507,804**	**$**	**6,207,471**
SHAREHOLDERS' EQUITY					
Share capital	21		54,148,700		43,614,558
Reserves	21		5,871,150		4,213,430
Equity component of convertible debentures	18		417,179		132,401
Subscriptions received	21		-		163,564
Accumulated deficit			(50,671,847)		(41,649,220)
TOTAL SHAREHOLDERS' EQUITY		**$**	**9,765,182**	**$**	**6,474,733**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**12,272,986**	**$**	**12,682,204**

Nature of operations (note 1)
Going concern (note 2)
Commitments (note 26)
Subsequent event (note 27)

On behalf of the Board of Directors December XX, 2021

(s) Jonathan Gluckman
Jonathan Gluckman, Director

(s) Sokhie Puar
Sokhie Puar, Director

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

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

	Note	**Year Ended August 31, 2021**	Year Ended August 31, 2020
EXPENSES			
Amortization	11, 12 and 13	**$ 630,044**	$ 371,634
Advertising and promotion		**677,750**	749,789
Management and consulting	23	**3,287,771**	2,643,507
Office and miscellaneous		**115,462**	71,581
Professional fees		**589,494**	690,063
Rent expense		**14,097**	62,831
Regulatory and filing fees		**100,720**	68,474
Share based compensation	21 and 23	**1,100,941**	808,224
Research and development		**1,309,370**	1,369,219
Transaction costs	6	**-**	1,213,621
Travel and related		**22,297**	221,910
Loss before other items		**(7,847,946)**	(8,270,853)
Loan receivable impairment	9	**(519,810)**	-
Loss on debt settlement	20	**(93,427)**	-
Gain on debt settlement	21	**48,498**	-
Gain on Share Interest Payment	18	**10,029**	-
Other income		**111,706**	170,232
Interest expense		**(583,712)**	(227,985)
Goodwill impairment	15	**(7,188,856)**	(12,658,000)
Foreign exchange gain (loss)		**(172,727)**	14,009
Net loss and comprehensive loss for the year		**$ (16,236,245)**	$ (20,972,597)
Basic and diluted loss per common share		**$ (0.16)**	$ (0.34)
Basic and diluted weighted average number of common shares outstanding		**98,934,346**	61,960,672

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

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

	Number of shares	Amount ($)	Reserves ($)	Equity Component of Convertible Debentures ($)	Subscriptions Received ($)	Accumulated Deficit ($)	Total ($)
Balance at August 31, 2019	38,693,653	20,059,174	1,892,337	-	745,000	(20,676,623)	2,019,888
Shares issued on financing (net of share issuance costs) (note 20)	15,206,735	10,325,783	43,818	-	(745,000)	-	9,624,601
Shares issued for exercise of warrants (note 20)	9,323,455	606,025	-	-	-	-	606,025
Share based payments (note 20)	-	-	808,224	-	-	-	808,224
Shares issued relating to settlement of 6WIC convertible debenture (note 6 an	2,719,202	1,905,284	-	-	-	-	1,905,284
Equity component of convertible debentures (note 17)	-	-	110,052	132,401	-	-	242,453
Issuance of commitment warrants (note 17)	-	-	34,074	-	-	-	34,074
Warrants issued relating to the acquisition of 6WIC (note 6)	-	-	620,858	-	-	-	620,858
Shares issued on acquisition of 6WIC (note 6)	14,291,056	10,718,292	704,067	-	-	-	11,422,359
Subscriptions received	-	-	-	-	163,564	-	163,564
Net loss for the year	-	-	-	-	-	(20,972,597)	(20,972,597)
Balance at August 31, 2020	80,234,101	43,614,558	4,213,431	132,401	163,564	(41,649,220)	6,474,733
Shares issued on financing (net of share issuance costs) (note 18)	26,770,881	7,122,287	365,732	-	(163,564)	-	7,324,455
Share based payments (note 18)	2,016,240	776,252	1,081,351	-	-	-	1,857,603
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)	468,147	132,213	-	-	-	-	132,213
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 share units (note XX)	100,000	31,000	(31,000)	-	-	-	-
Shares issued on settlement of deferred salary loans (note 20)	5,517,099	1,700,059	-	-	-	-	1,700,059
Shares issued on acquisition of Geolithic (note 8)	800,000	348,000	-	-	-	-	348,000
Net loss for the year	-	-	-	-	-	(9,022,627)	(9,022,627)
Balance at August 31, 2021	117,307,988	54,148,700	5,871,150	417,179	-	(50,671,847)	9,765,182

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

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

	Note	Year Ended August 31, 2021 ($)	Year Ended August 31, 2020 ($)
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES			
Net loss for the period		(9,022,627)	(20,972,597)
Adjustments for items not involving cash:			
Amortization	9, 10 and 11	643,299	371,634
Amortization included in research and development expense		-	98,776
Share-based compensation	18	1,081,351	808,224
Share compensation in management and consulting		596,365	-
Share compensation in research and development		179,887	-
Accretion expense		216,575	963
Accrued interest expense		180,192	96,922
Interest income		(61,672)	
Goodwill impairment	14	-	12,658,000
Loss on debt settlement	17	-	-
Impairment of loan receivable	7	519,810	-
Forgiveness of government loan			(195,423)
Unrealized foreign exchange		(62,610)	81,606
		(5,729,430)	(7,051,895)
Change in non-cash operating working capital items:			
Accounts receivable		(429)	(333)
Accounts payable and accrued liabilities		(1,061,845)	232,942
Cash held in subscription receipts		-	2,470,327
Prepaid expenses and other		(517,915)	(32,232)
Net cash used in operating activities		(7,309,619)	(4,381,191)
CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES			
Proceeds on issuance of shares (net of costs)	18	7,324,453	7,357,880
Share subscriptions received in advance			163,564
Subscription receipts received in advance			-
Proceeds from issuance of convertible debentures	15	1,113,000	682,000
Repayment of deferred salary loans	17	(239,822)	(135,730)
Repayment of convertible promissory note	14	(849,349)	-
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)	-
Repayment of convertible debenture	16		(204,869)
Exercise of warrants		-	606,025
Lease liability payments	13	(141,337)	(57,943)
Net cash provided by financing activities		7,252,143	8,606,350
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES			
Purchase of equipment		(348,915)	(107,028)
Purchase of intangibles			(23,281)
Advances to AFI	7	(4,625)	(239,668)
Cash paid in the acquisition of Geolithic shares	8	(12,515)	(99,177)
Cash paid in the acquisition of 6WIC	5	-	(3,695,404)
Cash acquired in the acquisition of 6WIC	5	-	49,266
Issuance of notes receivable			-
Net cash used in investing activities		(366,055)	(4,115,292)
Change in cash during the year		**(423,531)**	**109,867**
Cash, beginning of the year		**720,292**	**610,425**
Cash, end of the year		**296,761**	**720,292**

Supplemental cash flow (note 20)

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

1. Nature and continuance of operations

Sixth Wave Innovations Inc. (the "Company") and 6th Wave Innovations Corp. ("6WIC"), a private nanotechnology company focused on extraction and detection of target substances at the molecular level, entered into a definitive agreement dated September 11, 2018 to merge the two companies to form Sixth Wave Innovations Inc. (the "Merger"). The boards of the Company and 6WIC each unanimously approved the terms of the Merger (refer to note 6 for details). The Company was incorporated under the Business Corporations Act (BC) on June 6, 2007. The registered office of the Company is located at Suite 830 - 1100 Melville Street, Vancouver, British Columbia V6E 4A6. The head office of the Company is located at Suite 110 - 210 Waterfront Dr., Bedford, Nova Scotia B4A 0H3. The Company traded on the NEX board of the TSX Venture Exchange ("NEX") under the ticker symbol 'AGY.H' until May 29, 2018 after which it voluntarily delisted from the NEX. On February 11, 2020, the Company listed its common shares for trading on the Canadian Securities Exchange ("CSE").

2. Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. During the year ended August 31, 2021, the Company incurred a loss of $16,236,245 and remains dependent upon the receipt of additional equity and/or debt financing. While management has been successful in obtaining required financing in the past, there is no assurance that additional financing will be available or be available on favourable terms. The Company's ability to continue as a going concern is dependent upon the ability to raise financing and ultimately generate profitable operations. These consolidated financial statements do not reflect and adjustments to the carrying value of assets and liabilities and the reported amounts of expenses and statement of financial position classifications that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

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

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

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

3. Basis of presentation

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

The consolidated financial statements were authorized for issue in accordance with a resolution from the Board of Directors on December 28, 2021.

(a) Basis of measurement

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

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

3. Basis of presentation (continued)

(b) Significant judgments, estimates and assumptions

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

Critical Accounting Judgments

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

Going concern

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

Business combinations

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

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

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

Functional currency

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

Classification of associated company

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

3. Basis of presentation (continued)

The Company had classified its investment in Geolithic Corp. ("Geolithic") as an associated company and as at January 31, 2020 the Company owned 40% of the outstanding common shares of Geolithic. On February 28, 2020, the Company entered into an option agreement to purchase additional common shares of Geolithic. On March 6, 2020, the Company exercised its rights under the option agreement and acquired an additional 15% of Geolithic Corp. On April 13, 2021, the Company acquired 100% of the outstanding common shares of Geolithic. Originally and up until April 13, 2021, the Company classified its investment in Geolithic as an associated company based on management's judgement that the Company has significant influence and no control over Geolithic, based on rights to board representation and/or other provisions in the respective shareholders' agreement. Additional details of the option agreement and purchases made under the option agreement can be found in note 10.

Financial instruments

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

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

Embedded derivatives

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

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

Critical Accounting Estimates

Share-based payments

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

Income taxes

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

Valuation of investment in associated company

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

3. Basis of presentation (continued)

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

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

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

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

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

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, 6WIC from the date of acquisition, January 31, 2020 (note 6), and its wholly-owned subsidiary, Geolithic from the date of acquisition, April 13, 2021 (note 10). All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

4. Significant accounting policies

(a) Cash

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. As at August 31, 2021, the Company had cash of approximately $1,068,000 (2020 - $720,000).

(b) Intangible assets

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

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

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

4. Significant accounting policies (continued)

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

(c) Goodwill

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

(d) Impairment of tangible and intangible assets

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

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

(e) Equipment

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

Asset	Basis	Rate
Office equipment	Declining balance	30%
Furniture and fixtures	Declining balance	30%
Research equipment	Declining balance	30%
Building	Declining balance	4%

Land is not amortized due to having infinite useful life.

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

(f) Pilot plant

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

Asset	Basis	Rate
Pilot plant	Straight line	2 years

4. Significant accounting policies (continued)

(g) Share based payments

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

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

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

The Company has a deferred share unit plan (the "DSU Plan") for its directors and executive officers. DSUs are classified as equity settled share-based payment transactions as the participants will receive either common shares of the Company or payment of cash, or any combination of the foregoing, as determined by the Company in its sole discretion, following a redemption event. As such, the Company recognizes the expense based on the quoted market price of the Company's common shares at the grant date and a corresponding increase in equity for the eventual redemption when the DSUs are issued.

(h) Share capital

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

(i) Share issuance costs

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

(j) Investment in associated company

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

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

(i) significant financial difficulty of the associated company;

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

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

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

4. Significant accounting policies (continued)

(k) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

(l) Loss per share

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

(m) Income taxes

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

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

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

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

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

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

(n) Foreign currency translation

Functional currency

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

Transactions and balances

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

4. Significant accounting policies (continued)

(o) Business combinations

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

(p) Financial instruments – recognition and measurement

(i) Classification

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

As at August 31, 2021 the Company has made the following classifications:

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

(ii) Measurement

Financial assets and liabilities at amortized cost.

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

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

(iii) Impairment of financial assets at amortized cost

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

4. Significant accounting policies (continued)

(iv) Derecognition

Financial assets

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

(v) Compound financial instruments

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

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

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

(q) Government assistance

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

(r) Research and development

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

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

4. Significant accounting policies (continued)

(s) Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

(t) Standards, amendments and interpretations

The Company has adopted the following new standards, along with any consequential amendments, effective September 1, 2020. These changes were made in accordance with the applicable transitional provisions.

<u>IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Estimates and Errors</u>

On October 31, 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These amendments clarify the definition of "material" and aligns the definition used within the IFRS Standards. The application of this amendment did not have a material impact on the Company.

<u>IFRS 3 – Business Combinations</u>

On October 22, 2018, the IASB issued an amendment to IFRS 3 Business Combinations to narrow the definition of a business and introduce a screening test, which eliminates the requirement for a detailed assessment of the definition, when met. The application of this amendment did not have a material impact on the Company.

New accounting standards not yet adopted

The IASB issued the following standards that have not been applied in preparing these consolidated financial statements as their effective date falls within annual periods beginning subsequent to the current reporting period.

<u>IAS 1 – Presentation of Financial Statements</u>

On January 23, 2020, the IASB issued an amendment to IAS 1 Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or noncurrent depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. The Company is currently assessing the financial impact of the amendments and expects to apply the amendments at the effective date.

4. Significant accounting policies (continued)

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

On May 14, 2020, the IASB issued an amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendment specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to the contract can either be incremental costs of fulfilling the contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for contracts for which the Company has not yet fulfilled all its obligations on or after January 1, 2022 with early adoption permitted. The Company is currently assessing the financial impact of the amendment and expects to apply the amendment at the effective date.

IFRS 9 – Financial Instruments

On May 14, 2020, the IASB issued an amendment to IFRS 9 Financial Instruments clarifying which fees to include in the test in assessing whether to derecognize a financial liability. Only those fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included. The amendment is effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The Company is currently assessing the financial impact of the amendment and expects to apply the amendment at the effective date.

5. Management of capital

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

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

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

There were no changes in the Company's approach to capital management during the year ended August 31, 2021, or the year ended August 31, 2020.

6. Acquisition of 6WIC

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

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

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

(Expressed in Canadian dollars)

6. 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 15.

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

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

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

6. 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. None of the goodwill arising from this acquisition is expected to be deductible for tax purposes.

7. Receivables

As at August 31, 2021, the Company's amount receivable of $20,400 (2020 - $22,094) is comprised of Goods and Services Tax / Harmonized Sales Tax ("GST") due from government taxation authorities.

8. Prepaids

As at August 31, 2021, the majority of the Company's prepaid expenses are related to investor relations and marketing advances.

9. 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.

(b) Loan Receivable – Short term

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

(c) Loan Receivable – Long term

On May 22, 2019 the Company extended a loan to Affinity Farms Inc. ("AFI"). Under the terms of the loan agreement (the "AFI Agreement") 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:

(Expressed in Canadian dollars)

9. Bridge loan receivable and loans receivable (continued)

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		(51,792)
Provision for impairment		(519,810)
Settlement and acquisition of assets		(313,738)
Balance August 31, 2021	$	-

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. During the year the Company determined that this loan was impaired based on the valuation of the underlying assets 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 $313,738 ($248,300 USD). On August 26, 2021, the Company executed its rights under the Loan Agreement to acquire all of the assets of AFI and settle the debt owing to the Company. The assets acquired are further outlined in note 11.

10. Acquisition of Geolithic

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

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

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 (note 6)		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 year		-
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:

(Expressed in Canadian dollars)

10. Acquisition of Geolithic (continued)

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 April 13, 2021	$ 671,270

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.

11. Equipment

As a result of the Merger Transaction, as outlined in note 6, the Company acquired office equipment of $14,761, furniture and fixtures of $1,460 and machinery and equipment of $234,855 as at January 31, 2020. As a result of the loan settlement with AFI, as outlined in note 9, the Company acquired land of $134,725 and buildings of $179,013.

	Office equipment	Furniture and fixtures	Research equipment	Land	Buildings	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	-	33,310	134,725	179,013	348,914
Balance, August 31, 2021	22,716	1,460	368,958	134,725	179,013	706,872
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	5,297	346	86,451	-	-	92,094
As at August 31, 2021	8,730	602	140,592	-	-	149,924
Net book value						
Balance, August 31, 2020	$ 17,417	$ 1,204	$ 281,507	$ -	$ -	$ 300,128
Balance, August 31, 2021	$ 13,986	$ 858	$ 228,366	$ 134,725	$ 179,013	$ 556,948

12. Pilot plant

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

	September 1, 2020	Additions	Amortization	August 31, 2021
Pilot plant	$ -	$ -	$ -	$ -

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

(Expressed in Canadian dollars)

13. Right-of-use asset

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

Costs	
As at September 1, 2019	$ -
Additions	345,125
As at August 31, 2020	$ 345,125
Additions	-
As at August 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 year	118,328
As at August 31, 2021	$ 187,353
Net book value	
As at August 31, 2020	$ 276,100
As at August 31, 2021	$ 157,772

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

14. Intangible assets

The Company has determined the fair value of the intellectual property acquired in connection with the acquisition of 6WIC, as further described in note 6, to be $2,098,105. The Company has determined the fair value of the intellectual property acquired in connection with the acquisition of Geolithic, as further described in note 9, 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, August 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	-	419,621	-	419,621
Balance, August 31, 2021	-	664,400	-	664,400
Net book value				
Balance, August 31, 2020	$ -	$ 1,853,326	$ 23,281	$ 1,876,607
Balance, August 31, 2021	$ 140,628	$ 1,433,705	$ 23,281	$ 1,597,614

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.

(Expressed in Canadian dollars)

15. 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 and the IXOS project only. The annual impairment test date is August 31.

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

The Company's annual goodwill impairment analysis performed during the fourth quarter of fiscal 2021 included a quantitative analysis of the 6WIC CGU. The impairment analysis led to the conclusion that the recoverable amount of the 6WIC CGU was less than their carrying values, primarily driven by current market conditions and delays in progressing projects due to COVID. Accordingly, the carrying value of the goodwill was impaired by $7,188,856.

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. 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 anticipated gross margin rate of 60% throughout the projection period. Projected cash flows were discounted using a discount rate of 23.8% (2020 - 21.9%).

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

The following table reconciles the changes attributable to goodwill for the years ended August 31, 2021 and 2020:

Balance, August 31, 2019	$ -
Additions (Acquisition of 6WIC) (note 6)	20,896,856
Impairment	(12,658,000)
Balance, August 31, 2020	$ 8,238,856
Additions	-
Impairment	(7,188,856)
Balance, August 31, 2021	$ 1,050,000

16. Lease liability

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

	August 31, 2020	Additions	Interest accretion	Interest payments	Principal payments	Foreign exchange	Current portion	August 31, 2021
Office lease liability	$ 291,193	-	34,652	(34,652)	(106,685)	(10,188)	(127,752)	$ 46,568

	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

17. Convertible promissory notes

Affinity Loan

On January 31, 2020, the Company entered into a convertible promissory note as part of the Merger Transaction with 6WIC, as further described in note 6, in the amount of $1,322,359 ($1,000,000 USD) in the form of a convertible promissory note (the "Affinity Loan") that bore interest at 10% compounded monthly and payable on January 31, 2021. In accordance with the Affinity Loan agreement the Company was 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.

During fiscal 2021, the Company repaid $849,349 ($675,000 USD). 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 18.

Feldman Loan

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

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

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

(Expressed in Canadian dollars)

17. Convertible promissory notes (continued)

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 August 31, 2021	$ -	$ -	$ -

18. 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, 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.

18. 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 $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, 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.

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.

(Expressed in Canadian dollars)

18. Convertible debentures (continued)

Interest and accretion expense for the year ended August 31, 2021 was $181,923 (2020 - $963). The following table reconciles the changes attributable to the Company's convertible debentures issued on August 22, 2021 and August 31, 2020:

	August 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	181,923	963
Closing balance	$ 1,612,023	$ 466,436

19. 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 $5,198 was repaid on August 10, 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.

Nova Scotia COVID-19 Response Council ("NSCRC")

During fiscal 2021, the Company received a $250,000 contribution from NSCRC for the development of the Company's AMIP technology. As at August 31, 2021, the Company has incurred eligible costs and completed the project as required under the agreement; accordingly the Company offset $250,000 in research and development costs against the contribution amount.

20. Deferred salary loans

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

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 resulting in a loss on settlement of $93,427 (including a one-time charge of $10,010. 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.

On July 2, 2021, the Company settled debt owing in the amount of $1,043,416 ($842,028 USD) by the issuance of 3,764,386 common shares of the Company with a fair value of $1,091,672.

(Expressed in Canadian dollars)

20. Deferred salary loans (continued)

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

	August 31, 2021	August 31, 2020
Opening balance	$ 1,747,052	$ -
Additions (note 5)	-	1,817,098
Principal and interest repayments	(239,822)	(135,730)
Foreign exchange	(67,838)	(30,407)
Interest	126,259	96,091
Settled	(1,256,626)	-
Current portion	(42,203)	(1,035,115)
Closing balance	$ 266,822	$ 711,937

21. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

(a) Issued share capital

As at August 31, 2021 there were 117,307,988 issued and fully paid common shares and nil preferred shares issued. On 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 year ended August 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. A residual value of $16,119 was assigned to warrants issued. 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 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 $0.385 per share representing significant participation by management and key employees. The Company recorded $754,692 (2019 - $Nil) in management and consulting expense and $21,560 in research and development expense (2019 - $Nil) for share compensation earned during the period.

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. A residual value of $46,387 was assigned to warrants issued. 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%.

21. Share capital (continued)

On December 31, 2020, the Company issued 75,479 common shares to settle interest on convertible debentures of $26,416.

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 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 20.

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 10.

On June 30, 2021, the Company issued 392,668 common shares to settle interest on convertible debentures of $105,797.

On July 2, 2021, the Company issued 4,849,764 common shares at a value of $1,406,431 to settle $1,454,930 of debt owing to senior executives of the Company. The settlement included $1,043,416 ($842,028 USD) of deferred salary loans as further described in note 20. The remaining amount of $411,514 was to settle amounts owing to the senior executives of the Company which were included in accounts payable and accrued liabilities. These shares are subject to a hold agreement whereby ¼ of the shares are released every three months starting September 2021.

During the year ended August 31, 2021, 100,000 deferred share units were settled at $0.38 per common share and 300,000 deferred share units were forfeited. No deferred share units were exercised or forfeited during 2020.

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

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

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

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

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

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

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

(Expressed in Canadian dollars)

21. Share capital (continued)

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

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

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

(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	$0.080
Granted	6,695,480	$0.800
Exercised	(9,323,455)	$0.065
Balance, August 31, 2020	6,940,242	$0.800
Granted	28,405,643	$0.490
Expired	(1,777,778)	$0.750
Balance, August 31, 2021	33,568,107	$0.540

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	0.33 years	735,148	December 31, 2021
$0.90	0.33 years	248,957	December 31, 2021
$0.75	0.39 years	71,916	January 20, 2022
$0.75	0.42 years	244,762	January 31, 2022
$0.90	0.42 years	944,607	January 31, 2022
$0.9375	0.92 years	944,607	July 31, 2022
$0.55	0.97 years	84,000	August 20, 2022
$0.30	0.99 years	43,049	August 28, 2022
$0.50	0.99 years	614,994	August 28, 2022
$0.55	1.00 years	27,300	August 31, 2022
$0.50	1.00 years	1,611,880	September 1, 2022
$0.50	1.06 years	3,833,667	September 21, 2022
$0.30	1.06 years	146,790	September 21, 2022
$0.50	1.22 years	1,325,334	November 18, 2022
$0.30	1.22 years	18,900	November 18, 2022
$0.55	1.30 years	92,250	December 18, 2022
$0.55	1.31 years	26,250	December 21, 2022
$0.55	1.31 years	57,450	December 22, 2022
$0.55	1.33 years	52,500	December 30, 2022
$0.90	1.42 years	110,117	January 31, 2023
$0.975	1.42 years	944,607	January 31, 2023
$0.50	1.58 years	20,000,000	March 31, 2023
$0.375	1.58 years	1,099,350	March 31, 2023
$0.35	1.97 years	112,000	August 20, 2023
$0.35	2.00 years	36,400	August 31, 2023
$0.35	2.30 years	141,272	December 18, 2023
$0.54	1.364 years	33,568,107	

(Expressed in Canadian dollars)

21. 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 of the Company. 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.

On July 2, 2021, the Company granted a total of 525,000 options employees of the Company. The options are exercisable at a price of $0.30 per share and will expire on July 2, 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 $150,103 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 0.96%, expected dividend yield 0%, share price $0.29, exercise price $0.30, volatility 118.61%, and expected life 5 years.

During the year ended August 31, 2021, the Company recognized $1,100,941 (2020 - $808,224) in share-based compensation related to stock options and deferred share units vested during the year.

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	2,175,000	$0.36
Exercised	(100,000)	$0.40
Cancelled	(210,000)	$0.75
Balance, August 31, 2021	6,740,000	$0.49

(Expressed in Canadian dollars)

21. Share capital (continued)

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

Weighted average exercise price	Remaining contractual life	Number of options outstanding	Number of options exercisable	Expiry Date
$0.40	2.14 years	2,550,000	2,550,000	October 22, 2023
$0.75	3.21 years	1,080,000	1,080,000	November 15, 2024
$0.75	3.21 years	935,000	935,000	January 13, 2025
$0.35	4.13 years	1,150,000	383,333	October 16, 2025
$0.46	4.54 years	500,000	-	March 15, 2026
$0.30	4.84 years	525,000	-	July 2, 2026
$0.49	3.21 years	6,740,000	4,948,333	

(d) Deferred shares 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 year ended August 31, 2021 the Company recognized $476,874 (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 year ended August 31, 2021, 500,000 (2020 - Nil) DSU's have vested.

During the year ended August 31, 2021, 100,000 DSUs were settled at $0.38 per share and 300,000 DSUs were forfeited. No DSUs were exercised or forfeited during 2020.

(e) Escrowed shares

As at August 31, 2021, 7,640,691 common shares of the Company are subject to an escrow agreement pursuant to National Instrument 46-201 *Escrow for Initial Public Offerings.* A total of 15% of the shares will be released from escrow every 6 months until all have been released.

Furthermore, an additional 2,550,294 common shares are subject to an escrow agreement pursuant to the terms of the Merger Transaction. These shares were released from escrow during fiscal 2021.

(Expressed in Canadian dollars)

22. Income taxes

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

	2021	2020
Loss for the year	$ (16,236,245)	$ (20,972,597)
Expected income tax (recovery)	(4,709,000)	(5,663,000)
Change in statutory, foreign tax, foreign exchange rates and other	104,000	1,101,000
Share issue cost	-	(193,000)
Impact on acquisition of subsidiary	-	(1,915,000)
Permanent differences	385,000	3,247,000
Adjustment to prior year provision versus statutory tax return	(151,000)	611,000
Change in unrecognized deductible temporary differences	4,371,000	2,812,000
Total income tax expense (recovery)	**$ -**	**$ -**

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

	2021	2020
Deferred Tax Assets (liabilities)		
Exploration and evaluation assets	$ 1,320,000	$ 1,231,000
Property and equipment	143,000	58,000
Other temporary differences	4,000	31,000
Debt with accretion	-	(70,000)
Intangible assets	-	(205,000)
Share issue costs	395,000	256,000
Allowable capital losses	82,000	-
Non-capital losses available for future periods	9,705,000	5,873,000
Total deferred tax asset (liability)	$ 11,649,000	$ 7,174,000
Unrecognized deferred tax assets	(11,649,000)	(7,174,000)
Net deferred tax assets	**$ -**	**$ -**

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

	2021	Expiry Date Range	2020	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	$ 4,508,000	No expiry date	$ 4,508,000	No expiry date
Investment tax credit	18,000	2030 to 2034	18,000	2030 to 2034
Property and equipment	326,000	No expiry date	316,000	No expiry date
Other temporary differences	17,000	No expiry date	150,000	No expiry date
Share issue costs	1,361,000	2022 to 2025	946,000	2023
Allowable capital losses	282,000	No expiry date	-	No expiry date
Non-capital losses available for future periods	37,911,000	See below	23,131,000	See below
Canada	22,384,000	2027 to 2041	11,878,000	2027 to 2040
USA	15,527,000	2034 to indefinite	12,253,000	2034 to indefinite

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

(Expressed in Canadian dollars)

23. 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:

	Year Ended August 31, 2021	Year Ended August 31, 2020
Management and consulting fees	$ 1,189,947	$ 910,413
Director's fees and consulting fees paid to directors	310,741	191,042
Share-based payments	673,760	88,911
Deferred salary loan payments	1,042,975	57,916
Total	$3,217,423	$ 1,248,282

(a) During the year ended August 31, 2021, the Company incurred $452,000 (2020 – $410,970) in management and consulting expense to the CEO of the Company pursuant to CEO services provided. The amount incurred included a one-time signing bonus and relocation expenses of $125,000 (2020 – $235,970). The Company recorded $27,742 (2020 - $6,732) in share-based compensation representing the fair value of options that were granted to the CEO which have vested during the year. Pursuant to the deferred salary loan agreements, as further described in note 19, the CEO received payment of $554,253 (2020 – $9,838) against the balance owing. As at August 31, 2021, the balance owing under the deferred salary loan agreement to the CEO is $Nil (2020 – $547,235). On closing of the Merger Transaction, as outlined in note 6, the CEO was entitled to a repayment of $179,542 or 25% of the balance owing at January 31, 2020. The CEO has deferred this payment and the amount is included in accounts payable and accrued liabilities as at August 31, 2020. As at August 31, 2021, the Company owed the CEO $Nil (2020 – $137,500) for unpaid payroll and bonus.

(b) During the year ended August 31, 2021, the Company incurred $149,225 (2020 - $68,542) in director's fees and management and consulting expense to the CFO of the Company pursuant to CFO and Director services provided of which $Nil (2020 - $14,687) are included in accrued liabilities and accounts payable as at August 31, 2021. The Company recorded $13,871 (2020 - $4,926) in share-based compensation representing the fair value of options that were granted to the CFO which have vested during the year.

(c) During the year ended August 31, 2021, the Company incurred $121,050 (2020 - $115,000) in director's fees and management and consulting expense to the former CFO of the Company pursuant to CFO and Director services provided of which $Nil (2020 - $9,000) are included in accrued liabilities and accounts payable as at August 31, 2021. The amount included a one-time bonus of $15,000 (2020 - $15,000). The Company recorded $13,871 (2020 - $9,449) in share-based compensation representing the fair value of options and DSU's that were granted to the former CFO which have vested during the year.

(d) During the year ended August 31, 2021, the Company paid $Nil (2020 - $32,500) 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 which had vested during that year.

(e) During the year ended August 31, 2021, the Company incurred $280,930 (2020 - $125,113) in management and consulting expense to the COO of the Company pursuant to COO services provided. The Company recorded $30,606 (2020 - $44,113) in share-based compensation representing the fair value of options that were granted to the COO which have vested during the year. As at August 31, 2021, the Company owed the COO $14,047 (2020 - $44,402) for unpaid payroll

(f) During the year ended August 31, 2021, the Company incurred $301,694 (2020 – $239,330) in management and consulting expense to the Executive Vice President ("EVP") of the Company for EVP services provided. The amount included a one-time signing bonus of $78,227 (2020 - $100,000). The Company recorded $27,742 (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 year. Pursuant to the deferred salary loan agreements, as further described in note 20, the EVP received payment of $488,722 (2020 – $48,078) against the balance owing. As at August 31, 2021, the balance owing in accordance with the deferred salary loan agreement is $Nil (2020 – $482,534). In addition, as at August 31, 2021 the Company owed the EVP $6,274 (2020 – $35,162) for unpaid payroll and retention bonus.

(Expressed in Canadian dollars)

23. Related party transactions (continued)

(g) During the year ended August 31, 2021, the Company paid $Nil (2020 – $10,000) in director fees to a former Director of the Company for services provided up until January 31, 2020. The fees paid in 2020 included a separation payment of $7,500. 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 that year.

(h) During the year ended August 31, 2021, the Company incurred $156,100 (2020 – $100,000) in director fees and consulting fees to Directors of the Company. The Director's earned $78,100 (2020 – $25,000) in director's fees and $78,000 (2020 – $75,000) in management and consulting expense for consulting services provided. The Company recorded $126,734 (2020 – 11,494) in share-based compensation representing the fair value of options granted to Directors of the Company which have vested during the year. As at August 31, 2021 the Company owed the Director's $Nil (2020 – $11,250) in unpaid Director's fees and $Nil (2020 – $18,750) in unpaid consulting expense.

24. Supplemental disclosure with respect to cash flows

	Year Ended August 31, 2021 ($)	Year Ended August 31, 2020 ($)
Cash paid for income taxes	-	-
Cash paid for interest	98,530	204,870

Significant non-cash transactions during the year ended August 31, 2021 and 2020:

	Year Ended August 31, 2021 ($)	Year Ended August 31, 2020 ($)
Warrants issued as finders fees	303,227	34,594
Commitment and finder's warrants	57,387	34,074
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

Refer to note 6 and 10 for further disclosure relating to non-cash transactions.

25. 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:

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

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

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

As at August 31, 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 was on its loan's receivable. This risk was 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.

25. Financial risk management (continued)

Liquidity risk

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

As at August 31, 2021, the Company had a cash balance of $1,068,054 (2020 - $720,292) to settle accounts payable and accrued liabilities of $448,172 (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.

Market risk

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

a) Interest risk - The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at August 31, 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 August 31, 2021, the Company had a foreign currency net monetary liability position of $473,462 USD. Each 1% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain or loss of approximately $4,700.

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.

26. 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 16).

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 20). 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.

Retention Bonus

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

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 18.

(Expressed in Canadian dollars)

26. Commitments (continued)

As of August 31, 2021, these commitments required total payments including estimated common expenses, as follows:

	$
Payable not later than one year	332,239
Payable later than one year and not later than five years	2,300,257
Payable later than five years	-
	2,632,496

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.

27. Subsequent event

Subsequent to year end, the Company issued 5,160,000 Units at a price of $0.20 per Unit for gross proceeds totaling $1,032,000. Each Unit consists of one common share (a "Common Share") and one Common Share purchase warrant (a "Warrant"), with each Warrant entitling the holder to purchase one additional Common Share at an exercise price of $0.35 for a period of 24 months after the date hereof. In connection with the Financing, the Company paid finders fees in the aggregate amount of $40,390 and issued a total of 201,950 finder's warrants (the "Finder's Warrants") to certain arm's-length finders. Each Finder's Warrant entitles the holder to purchase one Common Share at an exercise price of $0.25 per Common Share for a period of 24 months after the date hereof. Securities issued pursuant to the Financing are subject to a hold period of four months and one day, expiring on April 24, 2022. Additional hold periods and/or trading or resale restrictions may also apply in the United States. A director of the Company subscribed for 50,000 Units for gross proceeds to the Company of $10,000, which is considered a related party transaction.