



Sixth Wave Innovations Inc.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. Management of Sixth Wave Innovations Inc. has prepared these condensed interim consolidated financial statements. Management has compiled the unaudited condensed interim consolidated statement of financial position of Sixth Wave Innovations Inc. as at May 31, 2022, the audited statement of financial position as at August 31, 2021 and the unaudited condensed interim consolidated statements of comprehensive loss, changes in shareholder's equity and cash flows for the three and nine-month period ended May 31, 2022 and May 31, 2021. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the May 31, 2022 condensed interim consolidated financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

SIXTH WAVE INNOVATIONS INC.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars) (Unaudited)

AS AT

	Note	May 31, 2022	August 31, 2021
ASSETS			
Current assets			
Cash		\$ 26,184	\$ 1,068,054
Receivables	5	12,200	20,400
Prepaid expenses and other	6	161,766	648,759
Financial assets at fair value through the profit and loss	9	457,212	-
Total current assets		657,362	1,737,213
Non-current assets			
Financial assets at fair value through the profit and loss	9	419,111	-
Property and equipment	10	271,015	556,948
Right-of-use asset	11	69,024	157,772
Intangible assets	12	1,282,898	1,597,614
Goodwill	13	1,050,000	1,050,000
Total non-current assets		3,092,048	3,362,334
TOTAL ASSETS		\$ 3,749,410	\$ 5,099,547
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	21	\$ 1,641,150	\$ 448,172
Current portion of lease liability	14	81,351	127,752
Short term loan	17	-	-
Deferred salary loans	18	140,755	42,203
Total current liabilities		1,863,256	618,127
Non-current liabilities			
Lease liability	14	-	46,568
Deferred salary loans	18	124,315	266,822
Convertible debentures	16	1,807,609	1,612,023
Warrant Liability	19	301,979	-
Total non-current liabilities		2,233,903	1,925,413
TOTAL LIABILITIES		\$ 4,097,159	\$ 2,543,540
SHAREHOLDERS' EQUITY			
Share capital	20	55,839,008	54,140,553
Reserves	20	6,289,607	5,883,740
Equity component of convertible debentures	16	417,179	417,179
Convertible Note	20	628,789	-
Accumulated deficit		(63,522,332)	(57,885,465)
TOTAL SHAREHOLDERS' EQUITY		\$ (347,749)	\$ 2,556,007
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 3,749,410	\$ 5,099,547

Nature of operations (note 1)

Going concern (note 2)

Commitments (note 24)

Subsequent events (note 25)

On behalf of the Board of Directors July 29, 2022

(s) Jonathan Gluckman
Jonathan Gluckman, Director

(s) Sokhie Puar
Sokhie Puar, Director

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

SIXTH WAVE INNOVATIONS INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars) (Unaudited)

	Note	Three months ended May 31, 2022	Three months ended May 31, 2021	Nine months ended May 31, 2022	Nine months ended May 31, 2021
EXPENSES					
Amortization	10, 11, and 12	\$ 141,594	\$ 161,585	\$ 455,659	\$ 482,911
Advertising and promotion		22,136	108,692	408,618	340,484
Management and consulting	21	557,571	870,834	2,004,515	2,481,075
Office and miscellaneous		37,876	15,627	106,047	85,466
Professional fees		88,253	115,285	393,407	412,159
Rent expense		5,126	-	5,360	14,100
Regulatory and filing fees		28,959	28,478	124,399	86,002
Share based compensation	20 and 21	118,074	192,723	387,516	854,709
Research and development		240,001	312,222	856,182	902,309
Travel and related		1,669	1,508	5,025	16,090
Loss before other items		(1,241,259)	(1,806,954)	(4,746,728)	(5,675,305)
Gain on share interest payment		-	-	36,772	-
Loss on sale of property		(39,433)	-	(39,433)	-
Loan receivable impairment		-	(519,810)	-	(519,810)
Loss on debt settlement		-	(93,427)	-	(93,427)
Other income		50,000	20,699	100,000	111,705
Interest expense		(138,301)	(152,761)	(399,721)	(423,042)
Foreign exchange gain (loss)		(8,001)	4,870	(36,620)	12,512
Realized loss on equity swap agreement	9	(30,813)	-	(30,813)	-
Unrealized loss on equity swap agreement	9	(1,323,677)	-	(1,323,677)	-
Unrealized gain on warrant liability	19	803,353	-	803,353	-
Net loss and comprehensive loss for the period		\$ (1,928,131)	\$ (2,547,383)	\$ (5,636,867)	\$ (6,587,367)
Basic and diluted loss per common share		\$ (0.02)	\$ (0.02)	\$ (0.05)	\$ (0.07)
Basic and diluted weighted average number of common shares outstanding		122,869,121	104,508,707	123,341,011	93,377,560

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

SIXTH WAVE INNOVATIONS INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars) (Unaudited)

	Number of shares	Amount (\$)	Reserves (\$)	Equity Component of Convertible Debentures (\$)	Convertible Notes (\$)	Subscriptions Received (\$)	Accumulated Deficit (\$)	Total (\$)
Balance at August 31, 2020	80,234,101	43,614,558	4,213,430	132,401	-	163,564	(41,649,220)	6,474,733
Shares issued on financing (net of share issuance costs)	26,770,881	7,184,791	303,227	-	-	(163,564)	-	7,324,454
Share based payments	2,016,240	604,872	854,709	-	-	-	-	1,459,581
Equity component of convertible debentures	-	-	217,171	284,778	-	-	-	501,949
Issuance of commitment warrants	-	-	57,387	-	-	-	-	57,387
Shares issued for payment of interest on convertible debentures	75,479	26,417	-	-	-	-	-	26,417
Shares issued to settle convertible debenture	1,301,520	351,410	-	-	-	-	-	351,410
Shares issued on exercise of options	100,000	72,921	(32,921)	-	-	-	-	40,000
Shares issued on settlement of deferred salary loans	667,335	293,628	-	-	-	-	-	293,628
Shares issued on acquisition of Geolithic	800,000	348,000	-	-	-	-	-	348,000
Net loss for the period	-	-	-	-	-	-	(6,587,367)	(6,587,367)
Balance at May 31, 2021	111,965,556	52,496,597	5,613,003	417,179	-	-	(48,236,587)	10,290,192
Balance at August 31, 2021	117,307,988	54,140,553	5,883,740	417,179	-	-	(57,885,465)	2,556,007
Shares issued on financing (net of share issuance costs) (note 20)	17,360,000	1,621,666	-	-	-	-	-	1,621,666
Shares issued for payment of interest on convertible debentures (note 20)	383,943	76,789	-	-	-	-	-	76,789
Issuance of broker warrants	-	-	18,351	-	-	-	-	18,351
Share based payments (note 20)	-	-	387,516	-	-	-	-	387,516
Convertible notes (note 20)	-	-	-	-	628,789	-	-	628,789
Net loss for the period	-	-	-	-	-	-	(5,636,867)	(5,636,867)
Balance at May 31, 2022	135,051,931	55,839,008	6,289,607	417,179	628,789	-	(63,522,332)	(347,749)

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

SIXTH WAVE INNOVATIONS INC.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars) (Unaudited)

	Note	Nine months ended May 31, 2022 (\$)	Nine months ended May 31, 2021 (\$)
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES			
Net loss for the period		(5,636,867)	(6,587,367)
Adjustments for items not involving cash:			
Amortization	10, 11, and 12	455,659	482,911
Share-based compensation	20	387,516	854,709
Share compensation in management consulting		-	543,072
Share compensation in research and development		-	61,800
Accretion expense		210,540	148,576
Accrued interest expense		17,371	167,689
Interest income		-	(61,672)
Loss on debt settlement		-	93,427
Impairment of loan receivable		-	519,810
Loss on disposal of property		39,433	-
Unrealized loss on equity swap agreement	9	1,323,677	-
Unrealized gain on warrant liability	19	(803,353)	-
Unrealized foreign exchange		10,399	(105,393)
		(3,995,625)	(3,882,438)
Change in non-cash operating working capital items:			
Accounts receivable		8,200	(9,913)
Accounts payable and accrued liabilities		1,269,768	(668,706)
Prepaid expenses and other		486,993	(190,770)
Net cash used in operating activities		(2,230,664)	(4,751,827)
CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES			
Proceeds on issuance of shares (net of costs)	20	974,137	7,324,454
Proceeds from issuance of convertible debentures	16	-	1,113,000
Proceeds from short term loan	17	254,575	155,198
Receipts from settlement of equity swap	9	200,000	-
Repayment of short term loan		(254,575)	(150,000)
Repayment of deferred salary loans	18	(62,601)	(219,446)
Repayment of convertible promissory note		-	(849,349)
Issuance of common shares on exercise of options		-	40,000
Lease liability payments	14	(117,048)	(106,522)
Net cash (used by) provided by financing activities		994,488	7,307,335
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES			
Purchase of equipment		(80,000)	(35,389)
Cash paid in the acquisition of Geolithic shares		-	(12,515)
Proceeds on disposal of property		274,306	-
Advances to AFI		-	(4,625)
Net cash (used in) provided by investing activities		194,306	(52,529)
Change in cash during the period		(1,041,870)	2,502,979
Cash, beginning of the period		1,068,054	720,292
Cash, end of the period		26,184	3,223,271

Supplemental cash flow (note 21)

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

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

For the three and nine months ended May 31, 2022

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 and the Merged closed on January 31, 2020. 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 period ended May 31, 2022, the Company incurred a loss of \$5,636,867 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 condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using the same accounting policies and methods of application as the audited annual consolidated financial statements of the Company for the year ended August 31, 2021, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), except as noted below. Accordingly, certain information and footnote disclosure normally included in annual financial statements have been omitted or condensed.

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

In preparing the Company's condensed interim consolidated financial statements for the three and nine months ended May 31, 2022, the Company applied the critical judgements and estimates disclosed in Note 3 of its consolidated financial statements for the year ended August 31, 2021. These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended August 31, 2021.

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

For the three and nine months ended May 31, 2022

4. Management of capital

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

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

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

There were no changes in the Company's approach to capital management during the period ended May 31, 2022, or the year ended August 31, 2021.

5. Receivables

As at May 31, 2022, \$12,200 (August 31, 2021 - \$20,400) of the balance is comprised of Goods and Services Tax / Harmonized Sales Tax ("GST") due from government taxation authorities.

6. Prepaids

As at May 31, 2022 and August 31, 2021, the majority of the Company's prepaid expenses are related to deposits and insurance premiums advances.

7. Loan receivable

Loan Receivable

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, was due on May 31, 2022 and was secured by the assets of AFI. The following table reconciles the changes attributable to the Company's AFI loan:

Balance as at 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 as at August 31, 2021 and May 31, 2022	\$ -

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 ended August 31, 2021, 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 10.

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

For the three and nine months ended May 31, 2022

8. Acquisition of Geolithic

During the year ended August 31, 2020, the Company acquired 6WIC, 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	211,578
Acquisitions 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:

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.

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

For the three and nine months ended May 31, 2022

9. Financial assets at fair value through profit and loss

	2022	2021
Financial assets at fair value through profit and loss		
- Current	\$ 457,212	-
- Non-current	419,111	-
Total	\$ 876,323	-
At acquisition	\$ 2,400,000	-
Cash received on monthly swap settlements to date	(169,187)	-
Realized loss on settlement received to date	(30,813)	-
Unrealized loss – financial assets at fair value	(1,323,677)	-
	\$ 876,323	-

On March 29, 2022, and as part of a \$2,400,000 net equity investment by Sorbie Bornholm LP comprising of deferred proceeds with a fair value on the date of acquisition of \$2,400,000, the Company entered into agreements for the acquisition of 24 equity swaps for total consideration receivable of \$2,400,000 (\$200,000 for the first two swaps and \$90,909 per equity swap for the remaining).

The equity swaps settle on a monthly basis over 24 months, and commenced on May 6, 2022, with one swap settling each month. The monthly settlement amount payable to the Company by the counter-party is determined by an independent settlement agent with the amount due calculated via reference to the average of the volume weighted average price of the Company's shares as traded on the Canadian Securities Exchange for the twenty days preceding the settlement date ("VWAP"), compared to the benchmark price of \$0.16. Each one cent difference between the VWAP and the benchmark price results in a \$28,409 per month premium or discount to the amount to be received by the Company for the swap at settlement.

Fair value of financial assets at fair value through profit and loss

The fair value of the equity swaps at May 31, 2022 has been estimated using the Black Scholes pricing model with a volatility of 97%, risk-free interest rate of 2.67%, dividend rate of 0% and expected life of 2 years. The fair value of the remaining equity swaps at May 31, 2022 was estimated as \$876,323. The difference between that valuation of the remaining equity swaps and the purchase price of the remaining swaps \$2,200,000 has been taken to the statement of profit and loss and other comprehensive income as an unrealized loss for the period of \$1,323,677.

10. Equipment

As a result of the loan settlement with AFI, as outlined in note 7, the Company acquired land of \$134,725 and buildings of \$179,013 as at August 31, 2022. On April 12, 2022, the Company sold the land and building that was acquired last year in the settlement of the Affinity Farm Loan for US\$240,000 less closing costs.

	Office equipment	Furniture and fixtures	Research equipment	Land	Buildings	Total
Costs						
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
Additions	-	-	80,000	-	-	80,000
Disposals	-	-	-	(134,725)	(179,013)	(313,738)
Balance, May 31, 2022	22,716	1,460	448,958	-	-	473,134
Accumulated amortization						
Balance, 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
Amortization	2,977	182	49,036	-	-	52,195
As at May 31, 2022	11,707	784	189,628	-	-	202,119
Net book value						
Balance, August 31, 2021	\$ 13,986	\$ 858	\$ 228,366	\$ -	\$ -	\$ 556,948
Balance, May 31, 2022	\$ 11,009	\$ 676	\$ 259,330	\$ -	\$ -	\$ 271,015

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

For the three and nine months ended May 31, 2022

11. Right-of-use asset

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 August 31, 2020	\$ 345,125
Additions	-
As at August 31, 2021	\$ 345,125
Additions	-
As at May 31, 2022	\$ 345,125
Accumulated amortization	
As at August 31, 2020	\$ 69,025
Change for the year	118,328
As at August 31, 2021	\$ 187,353
Change for the period	88,748
As at May 31, 2022	\$ 276,101
Net book value	
As at August 31, 2021	\$ 157,772
As at May 31, 2022	\$ 69,024

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

12. Intangible assets

The Company has determined the fair value of the intellectual property acquired in connection with the acquisition of 6WIC, to be \$2,098,105. The Company has determined the fair value of the intellectual property acquired in connection with the acquisition of Geolithic, as further described in note 8, to be \$140,628. A summary of the Company's intangible assets is provided below:

	Intellectual property (acquisition of Geolithic)	Intellectual property (acquisition of 6WIC)	Website domains	Total
Costs				
Balance, August 31, 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
Additions	-	-	-	-
Balance, May 31, 2022	140,628	2,098,105	23,281	2,262,014
Accumulated amortization				
Balance, August 31, 2020	\$ -	\$ 244,779	\$ -	\$ 244,779
Amortization	-	419,621	-	419,621
Balance, August 31, 2021	-	664,400	-	664,400
Amortization	-	314,716	-	314,716
Balance, May 31, 2022	-	979,116	-	979,116
Net book value				
Balance, August 31, 2021	\$ 140,628	\$ 1,433,705	\$ 23,281	\$ 1,597,614
Balance, May 31, 2022	\$ 140,628	\$ 1,118,989	\$ 23,281	\$ 1,282,898

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.

SIXTH WAVE INNOVATIONS INC.

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(Expressed in Canadian dollars) (Unaudited)
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13. 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 Cash Generation Unit ("CGU") with goodwill is 6WIC and the IXOS project only. The annual impairment test date is August 31.

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%.

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

The following table reconciles the changes attributable to goodwill:

Balance, August 31, 2020	\$ 8,238,856
Additions	-
Impairment	7,188,856
Balance, August 31, 2021	\$ 1,050,000
Additions	-
Impairment	-
Balance, May 31, 2022	\$ 1,050,000

14. Lease liability

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, 2021	Additions	Interest accretion	Interest payments	Principal payments	Foreign exchange	Current portion	May 31, 2022
Office lease liability	\$ 174,320	-	14,954	(14,954)	(102,094)	9,125	(81,351)	\$ -

	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

15. 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, 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.

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15. Convertible promissory notes (continued)

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

At the maturity date, in lieu of repayment, the Company has the right to convert the principal and unpaid accrued interest, not to exceed 150% of the cumulative dollar volume of the Company's common shares traded on the Canadian and United States trading markets for the common share of the Company for the 20 consecutive trading days ending and including the last trading day prior to the maturity date. The maturity conversion price shall be calculated using the lesser 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 16.

Feldman Loan

On January 31, 2020, the Company entered into a convertible promissory note as part of the Merger Transaction with 6WIC, 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 lesser of the volume weighted average trading price of the common shares of the Company for the 20 consecutive trading days ending on and including the last trading day prior to the maturity date or the closing price on the last trading day prior to the maturity date.

On January 29, 2021, the Company settled the principal balance owing plus accrued interest totalling \$351,410 (\$276,178 USD) through 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, 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 and May 31, 2022	\$ -	\$ -	\$ -

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16. 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.

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.

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16. Convertible debentures (continued)

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.

Interest and accretion expense for the period ended May 31, 2022 was \$195,586 (2021 - \$181,923). The following table reconciles the changes attributable to the Company's convertible debentures:

	May 31, 2022	August 31, 2021
Opening balance	\$ 1,612,023	\$ 466,436
Additions	-	1,523,000
Warrant component	-	(217,171)
Equity component	-	(284,778)
Transaction costs	-	(57,387)
Interest and accretion	195,586	181,923
Closing balance	\$ 1,807,609	\$ 1,612,023

17. Short term loan

Orca Holdings, LLC

On February 23, 2022, the Company secured a bridge loan in the amount of \$254,575 (US\$200,000) from Orca Holdings, LLC. The bridge loan is interest free and is repayable on April 4, 2022. On April 19, 2022 the Company repaid the loan.

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.

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.

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18. Deferred salary loans

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. The deferred salary loans 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.

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

	May 31, 2022	August 31, 2021
Opening balance	\$ 309,025	\$ 1,747,052
Principal and interest repayments	(62,601)	(239,822)
Foreign exchange	1,275	(67,838)
Interest	17,371	126,259
Settled	-	(1,256,626)
Current portion	(140,755)	(42,203)
Closing balance	\$ 124,315	\$ 266,822

19. Warrant Liability

In connection with the private placements completed during the period ended May 31, 2022, the Company issued a total of 6,100,000 warrants exercisable at a price of \$0.175 per share for the first two years, and at \$0.20 in the third year. These warrants were assigned a fair value of \$630,120 using the Black-Scholes Pricing Model. As at May 31, 2022, there were 6,100,000 of these warrants remaining. (note 20a)

In connection with the convertible note financing that was completed during period ended May 31, 2022, the Company issued a total of 4,600,368 warrants exercisable at a price of CDN\$0.175 per share for the first two years, and at \$0.20 in the third year. These warrants were assigned a fair value of \$475,211 using the Black-Scholes Pricing Model. As at May 31, 2022, there were 4,600,368 of these warrants remaining. (note 20e)

The fair value allocated to the remaining warrants at May 31, 2022 was \$301,989 (2021 - \$nil) and is recorded as a derivative financial liability as these warrants are exercisable at different rates over the term of the warrants. The change in fair value resulted in a gain of \$803,353 (2021 - \$nil) and is recognized in the condensed consolidated interim statements of loss and comprehensive loss for the three months ended May 31, 2022.

The Company used the following assumptions to estimate the fair value of the warrant liability as at May 31, 2022:

Risk-free interest rate	2.67%
Expected stock price volatility	96.64%
Dividend payment during life of warrant	Nil
Expected forfeiture rate	Nil
Expected Dividend yield	0.0%
Expected warrant life in years	2.83 years
Exercise price	\$0.175
Share price	\$0.07

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20. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

(a) Issued share capital

As at May 31, 2022, there were 135,051,931 issued and fully paid common shares and nil preferred shares issued.

As at August 31, 2021, there were 117,307,988 issued and fully paid common shares and nil preferred shares issued.

Changes in share capital during the period ended May 31, 2022 and 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 \$Nil (2021 - \$543,072) in management and consulting expense and \$Nil in research and development expense (2021 - \$61,800) 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%.

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.

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20. Share capital (continued)

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 17.

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

On 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 17. 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 the period ended May 31, 2022.

On December 23, 2021, 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 and one common share purchase 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 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. The fair value of the warrants is \$18,351, estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 125.98%, risk-free interest rate of 0.98%, expected life of 2 years and a dividend rate of 0%.

On March 29, 2022, the Company issued 12,200,000 Units at a price of \$0.12 per unit for gross proceeds totaling \$2.568 million. 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 \$0.175 in Year 1 and 2 and \$0.20 in Year 3 after the date issuance. The shares were put into escrow as was the consideration for the shares. Monthly there will be a release of shares and cash as defined in the sharing agreement. (note 9). The fair value of the warrants is \$630,120, estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 107.72%, risk-free interest rate of 2.34%, expected life of 3 years and a dividend rate of 0%. (note 19)

(b) Warrants

The continuity schedule of share purchase warrants is as follows:

	Number of share purchase warrants	Weighted Average Exercise Price
Balance, August 31, 2020	6,940,242	\$0.80
Granted	28,405,643	\$0.49
Expired	(1,777,778)	\$0.75
Balance, August 31, 2021	33,568,107	\$0.54
Granted	16,062,318	\$0.23
Expired	(2,245,389)	\$0.83
Balance, May 31, 2022	47,385,035	\$0.42

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20. Share capital (continued)

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

Weighted average exercise price	Remaining contractual life	Number of warrants outstanding	Expiry Date
\$0.9375	0.17 years	944,607	July 31, 2022
\$0.55	0.22 years	84,000	August 20, 2022
\$0.30	0.24 years	43,049	August 28, 2022
\$0.50	0.24 years	614,994	August 28, 2022
\$0.55	0.25 years	27,300	August 31, 2022
\$0.50	0.25 years	1,611,880	September 1, 2022
\$0.50	0.31 years	3,833,667	September 21, 2022
\$0.30	0.31 years	146,790	September 21, 2022
\$0.50	0.47 years	1,325,334	November 18, 2022
\$0.30	0.47 years	18,900	November 18, 2022
\$0.55	0.55 years	92,250	December 18, 2022
\$0.55	0.56 years	26,250	December 21, 2022
\$0.55	0.56 years	57,450	December 22, 2022
\$0.55	0.58 years	52,500	December 30, 2022
\$0.90	0.67 years	110,117	January 31, 2023
\$0.975	0.67 years	944,607	January 31, 2023
\$0.50	0.83 years	20,000,000	March 31, 2023
\$0.375	0.83 years	1,099,350	March 31, 2023
\$0.35	1.22 years	112,000	August 20, 2023
\$0.35	1.25 years	36,400	August 31, 2023
\$0.35	1.55 years	141,272	December 18, 2023
\$0.35	1.56 years	5,160,000	December 23, 2023
\$0.25	1.56 years	201,950	December 23, 2023
\$0.175	2.83 years	6,100,000	March 29, 2025
\$0.175	2.83 years	4,600,368	March 29, 2025
\$0.50	1.27 years	47,385,035	

(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 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.

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

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20. Share capital (continued)

On May 2, 2022, the Company granted a total of 1,050,000 options employees of the Company. The options are exercisable at a price of \$0.15 per share and will expire on May 2, 2027. One-third of the options will vest after six months, with a further third vesting every six months thereafter. These options were valued at \$94,476 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 2.81%, expected dividend yield 0%, share price \$0.09, exercise price \$0.15, volatility 103.53%, and expected life 5 years.

During the period ended May 31, 2022, the Company recognized \$387,516 (2021 - \$854,709) in share-based compensation related to stock options and deferred share units vested during the period.

The continuity schedule of stock options is as follows:

	Number of stock options	Weighted Average Exercise Price (\$)
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
Granted	1,050,000	\$0.15
Exercised	-	-
Balance, May 31, 2022	7,790,000	\$0.45

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

Weighted average exercise price	Remaining contractual life	Number of options outstanding	Number of options exercisable	Expiry Date
\$0.40	1.39 years	2,550,000	2,550,000	October 22, 2023
\$0.75	2.46 years	1,080,000	1,080,000	November 15, 2024
\$0.75	2.62 years	935,000	935,000	January 13, 2025
\$0.35	3.38 years	1,150,000	1,150,000	October 16, 2025
\$0.46	3.79 years	500,000	333,333	March 15, 2026
\$0.30	4.09 years	525,000	175,000	July 2, 2026
\$0.15	4.92 years	1,050,000	-	May 2, 2027
\$0.45	2.79 years	7,790,000	6,223,333	

(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. During the current year, the maximum number of common shares reserved for the issue under the DSU Plan was increased to 4,000,000. In addition, the aggregate number of common shares issuable pursuant to the DSU Plan combined with the Company's Stock Option Plan, shall not exceed 10% of the Company's outstanding shares.

The 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.

On October 16, 2020 the Company issued 2,000,000 DSUs to a director and officers of the Company with a total value of \$760,000. During the period ended May 31, 2022 the Company recognized \$113,896 (2021 - \$318,836) in share-based compensation expense for DSUs which have vested during the period. During the period ended May 31, 2022, 400,000 (2021 - 500,000) 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.

On May 2, 2022 the Company issued 760,000 DSUs to directors and officers of the Company with a total value of \$68,400. During the period ended May 31, 2022 the Company recognized \$27,280 (2021 - \$nil) in share-based compensation expense for DSUs which have vested during the period. During the period ended May 31, 2022, 290,000 (2021 - nil) DSU's have vested.

No DSUs were exercised or forfeited during the period ended May 31, 2022. As at May 31, 2022, there are 2,360,000 DSUs issued.

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20. Share capital (continued)

(d) Escrowed shares

As at May 31, 2022, 5,093,793 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 were subject to an escrow agreement pursuant to the terms of the Merger Transaction. These shares were released from escrow during fiscal 2021.

(e) Convertible notes

On March 29, 2022, 1,104 Convertible Loan Notes in the principal amount of \$1,000 per note, bearing an interest rate of 1% per annum. Each note is convertible into 8,333 common shares for a period of 36 months from the date of issuance. Conversion of the notes is limited to only when shares issued combined with the then current holdings of the holder will not take the holder above 9.9% ownership of the Company. Since the notes are to be settled in shares, the units are treated as equity. In addition, 4,600,368 Common share purchase warrants were issued, each warrant entitling the holder to purchase one additional common share at an exercise price of \$0.175 in Year 1 and 2 and \$0.20 in Year 3 after the date issuance. The fair value of the warrants is \$475,211, estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 107.72%, risk-free interest rate of 2.34%, expected life of 3 years and a dividend rate of 0%. (note 19)

21. Related party transactions

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

	Period Ended May 31, 2022	Period Ended May 31, 2021
Management and consulting fees	\$ 874,862	\$ 805,757
Director's fees and consulting fees paid to directors	62,500	193,375
Share-based payments	99,327	552,587
Total	\$ 1,036,689	\$ 1,553,719

- (a) During the period ended May 31, 2022, the Company incurred \$300,000 (2021 – \$235,000) in management expense to the CEO of the Company pursuant to CEO services provided. The amount incurred included a one-time retention bonus of \$75,000 (2021 – \$nil). The Company recorded \$6,158 (2021 - \$185,654) in share-based compensation representing the fair value of options that were granted to the CEO which have vested during the period. During the period ended May 31, 2022, the CEO advanced \$47,500 to the Company which is included in accounts payable and accrued liabilities as at May 31, 2022. As at May 31, 2022, the Company owed the CEO \$235,000 (August 31, 2021 - \$nil) for unpaid payroll.
- (b) During the period ended May 31, 2022, the Company incurred \$39,452 (2021 - \$nil) in management and consulting expense to the CFO of the Company pursuant to CFO services provided. The Company recorded \$8,398 (2021 - \$nil) in share-based compensation representing the fair value of options that were granted to the CFO which have vested during the period. As at May 31, 2022, the Company owed the CFO \$11,596 (August 31, 2021 - \$nil) for expenses.
- (c) During the period ended May 31, 2022, the Company incurred \$68,542 (2021 - \$99,875) in management and consulting expense to the former CFO of the Company pursuant to CFO services provided. The Company recorded \$3,079 (2021 - \$11,500) in share-based compensation representing the fair value of options that were granted to the CFO which have vested during the period. As at May 31, 2022, the Company owed the former CFO \$14,687 (August 31, 2021 - \$nil) for unpaid payroll.
- (d) During the period ended May 31, 2022, the Company incurred \$Nil (2021 - \$84,000) in director's fees and management and consulting expense to the former CFO of the Company pursuant to CFO and Director services provided. The Company recorded \$Nil (2021 - \$34,795) 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 period.

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21. Related party transactions (continued)

- (e) During the period ended May 31, 2022, the Company incurred \$208,509 (2021 - \$274,434) in management and consulting expense to the COO of the Company pursuant to COO services provided. The Company recorded \$6,158 (2021 - \$53,605) in share-based compensation representing the fair value of options that were granted to the COO which have vested during the period. As at May 31, 2022, the Company owed the COO \$102,648 (August 31, 2021 - \$43,098) for unpaid payroll and expenses.
- (f) During the year ended May 31, 2022, the Company incurred \$240,859 (2021 – \$212,323) in management and consulting expense to the Executive Vice President (“EVP”) of the Company for EVP services provided. The amount incurred included a one-time retention bonus of \$75,000 (2021 – \$nil). The Company recorded \$6,158 (2021 - \$185,654) in share-based compensation representing the fair value of options and DSU’s that were granted to the EVP which have vested during the period. As at May 31, 2022, the Company owed the EVP \$153,386 (August 31, 2021 - \$34,282) for unpaid payroll and expenses.
- (g) During the period ended May 31, 2022, the Company incurred \$80,000 (2021 – \$93,000) in director fees and consulting fees to Directors of the Company. The Company recorded \$69,375 (2021 – \$81,378) in share-based compensation representing the fair value of options granted to Directors of the Company which have vested during the year. As at May 31, 2022, the Company owed the Directors \$72,000 (August 31, 2021 - \$nil) for unpaid director and consulting fees.

22. Supplemental disclosure with respect to cash flows

	Period Ended May 31, 2022 (\$)	Period Ended May 31, 2021 (\$)
Cash paid for income taxes	-	-
Cash paid for interest	17,371	98,530

Significant non-cash transactions during the period ended May 31, 2022 and 2021:

	Period Ended May 31, 2022 (\$)	Period Ended May 31, 2021 (\$)
Warrants issued as finders fees	18,351	303,227
Warrants issued in connection with convertible debentures	-	225,674
Commitment warrants	-	48,885
Accounts payable settled with convertible debentures	-	60,000
Shares issued on the exercise of options	-	32,921
Shares issued as finder’s fees	-	-
Shares issued on the settlement of Feldman Loan	-	351,410
Share issued on the settlement of Feldman Deferred Salary Loan	-	293,628
Prepaid expenses in accounts payable	-	65,000
Shares issued on the payment of interest	-	26,417

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

23. 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).

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For the three and nine months ended May 31, 2022

23. Financial risk management (continued)

As at May 31, 2022 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.

Liquidity risk

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

As at May 31, 2022, the Company had a cash balance of \$26,184 (August 31, 2021 - \$1,068,054) to settle accounts payable and accrued liabilities of \$1,641,151 (August 31, 2021 - \$448,172).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. See note 2 for further details.

Market risk

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

- a) Interest risk - The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at May 31, 2022, the Company didn't hold any investment-grade short-term deposit certificates. The Company does not have any debt that bears variable interest rates.
- b) Foreign currency risk - Foreign currency risk is the risk that variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company's operating and financial results. The Company has operations in the United States and as a result is subject to risk due to fluctuations in the exchange rates for the Canadian and US dollars. As at May 31, 2022, the Company had a foreign currency net monetary liability position of \$780,748 USD. Each 1% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain or loss of approximately \$7,800.
- 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.

24. 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 (note 13).

Deferred salary loans

On January 31, 2020, the Company assumed deferred salary loans for certain current and former employees of 6WIC (note 17). The balance owing accrues interest at a rate of 0.667% compounded monthly.

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24. Commitments (continued)*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 which occurred on January 31, 2020. \$1150,000 was payable as at May 31, 2022.

Convertible debentures

During August and December 2020, the Company closed the sale of 2,265 unsecured convertible debenture units which each debenture unit consisting of \$1,000 of principal amount. The debentures carry a term of three years. During the third year of the term, the Company shall have the option to extend the term by up to one additional year. Further details describing the convertible debentures are found in note 15.

As of May 31, 2022, these commitments required total payments including estimated common expenses, as follows:

	\$
Payable not later than one year	375,169
Payable later than one year and not later than five years	2,389,315
Payable later than five years	-
	<u>2,764,484</u>

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.

25. Subsequent event

- a. On June 16, 2022, the Company secured a bridge loan in the amount of Cdn\$285,000 (US\$225,000) from Orca Holdings, LLC. The bridge loan is interest free and is repayable on July 22, 2022
- b. The Company issued 377,655 common shares as interest payment in its convertible debentures
- c. On June 10, 2022, the Company granted a total of 900,000 options to consultants and directors of the Company. The options are exercisable at a price of \$0.15 per share and will expire on June 10, 2027.
- d. On June 21, 2022, the Company granted a total of 725,000 options to consultants of the Company. The options are exercisable at a price of \$0.09 to \$0.15 per share and will expire on June 21, 2027