Sixth Wave Innovations Inc.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months ended May 31, 2023 and 2022

(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 November 30, 2022, the audited statement of financial position as at August 31, 2022 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, 2023 and May 31, 2022. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the May 31, 2023 condensed interim consolidated financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

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

	Note	May 31, 2023	August 31, 2022
ASSETS			
Current assets			
Cash		$ 16,432	$ 12,659
Receivables	5	7,179	9,978
Prepaid expenses and other	6	131,802	155,043
Financial assets at fair value through the profit and loss	7	-	228,237
Total current assets		155,413	405,917
Non-current assets			
Financial assets at fair value through the profit and loss	7	-	171,178
Property and equipment	8	214,611	253,339
Right-of-use asset	9	-	39,442
Intangible assets	10	863,277	1,177,993
Total non-current assets		1,077,888	1,641,952
TOTAL ASSETS		**$ 1,233,301**	**$ 2,047,869**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	18	$ 3,126,617	$ 2,081,597
Current portion of lease liability	12	-	49,015
Short term loan	14	1,244,085	332,642
Deferred salary loans	15	148,603	141,720
Convertible debentures	13	2,106,575	1,083,652
Total current liabilities		6,625,880	3,688,626
Non-current liabilities			
Deferred salary loans	15	131,009	126,198
Convertible debentures	13	175,869	913,768
Warrant liability	16	9,931	36,973
Total non-current liabilities		316,809	1,076,939
TOTAL LIABILITIES		**$ 6,942,689**	**$ 4,765,565**
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	17	57,107,211	57,062,793
Reserves	17	6,563,427	6,381,853
Subscription received		30,800	-
Equity component of convertible debentures	13	417,179	417,179
Convertible notes	17(f)	136,935	136,935
Accumulated deficit		(69,964,940)	(66,716,456)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**$ (5,709,388)**	**$ (2,717,696)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**$ 1,233,301**	**$ 2,047,869**

Nature of continuance of operations (note 1)
Going concern (note 2)
Commitments (note 21)

On behalf of the Board of Directors July 28, 2023

(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) (Unaudited)

	Note		**Three months ended May 31, 2023**		Three months ended May 31, 2022		**Nine months ended May 31, 2023**		Nine months ended May 31, 2022
EXPENSES									
Amortization	8, 9, and 10	**$**	**117,860**	$	141,594	**$**	**392,885**	$	455,659
Advertising and promotion			**16,451**		22,136		**47,691**		408,618
Financing fee			**-**		-		**31,520**		-
Management and consulting	18		**351,177**		557,571		**1,207,224**		2,004,515
Office and miscellaneous			**33,604**		37,642		**111,817**		106,047
Professional fees			**43,129**		88,253		**275,976**		393,407
Rent expense			**41,162**		-		**68,784**		5,360
Regulatory and filing fees			**18,096**		28,959		**53,102**		124,399
Share based compensation	18 and 17		**32,201**		118,074		**181,574**		387,516
Research and development			**196,388**		240,001		**267,286**		856,182
Travel and related			**2,537**		1,669		**7,559**		5,025
Loss before other items			**(852,605)**		(1,235,899)		**(2,645,418)**		(4,746,728)
Gain on share interest payment			**9,660**		-		**111,702**		36,772
Loss on sale of property			**-**		(39,433)		**-**	-	39,433
Other income			**95,000**		50,000		**95,000**		100,000
Interest expense			**(180,385)**		(138,301)		**(478,286)**		(399,721)
Foreign exchange gain (loss)			**31,765**		(8,001)		**(55,201)**		(36,620)
Unrealized gain on warrant liability	17		**-**		803,353		**27,042**		803,353
Unrealized loss on equity swap agreement	7		**-**		-		**(320,630)**		(1,323,677)
Realized loss on equity swap agreement	7		**20,095**		(30,813)		**17,307**		(30,813)
Net loss and comprehensive loss for the year		**$**	**(876,470)**	**$**	**(599,094)**	**$**	**(3,248,484)**	$	(5,636,867)
Basic and diluted loss per common share		**$**	**(0.01)**	$	(0.01)	**$**	**(0.02)**	$	(0.05)
Basic and diluted weighted average number of common shares outstanding			**136,855,453**		104,508,707		**136,200,603**		117,307,988

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

SIXTH WAVE INNOVATIONS INC.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(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, 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 17)	5,160,000	987,159						987,159
Shares issued for payment of interest on convertbile debentures (note 17)	383,943	76,789						76,789
Issuance of broker warrants			18,351					18,351
Share based payments	-	-	269,442	-	-	-	-	269,442
Net loss for the year	-	-	-	-	-	-	(3,708,736)	(3,708,736)
Balance at May 31, 2022	122,851,931	55,204,501	6,171,533	417,179	-	-	(61,594,201)	199,012
Balance at August 31, 2022	135,429,586	57,062,793	6,381,853	417,179	136,935	-	(66,716,456)	(2,717,696)
Shares issued for payment of interest on convertbile debentures (note 17)	383,943	11,518	-	-	-	-	-	11,518
Shares issued on refinancing of short term loan (note 14)	880,000	32,900						32,900
Subscriptions received	-	-	-	-	-	30,800	-	30,800
Share based payments (note 17)	-	-	181,574	-	-	-	-	181,574
Net loss for the year	-	-	-	-	-	-	(3,248,484)	(3,248,484)
Balance at May 31, 2023	136,693,529	57,107,211	6,563,427	417,179	136,935	30,800	(69,964,940)	(5,709,388)

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) (Unaudited)

	Note	Nine months ended May 31, 2023	Nine months ended May 31, 2022
CASH FLOWS USED BY OPERATING ACTIVITIES			
Net loss for the year		(3,248,484)	(5,636,867)
Adjustments for items not involving cash:			
Amortization	8, 9, and 10	392,885	455,659
Share-based compensation	17	181,574	387,516
Accretion expense		229,442	210,540
Financing fee		31,520	-
Realized loss on swap		(17,307)	-
Accrued interest expense		-	17,371
Loss on disposal of property		-	39,433
Unrealized loss on equity swap agreement	7	320,630	1,323,677
Unrealized gain on warrant liability	16	(27,042)	(803,353)
Unrealized foreign exchange		6,066	10,399
		(2,242,418)	(3,995,625)
Change in non-cash operating working capital items:			
Accounts receivable		2,799	8,200
Accounts payable and accrued liabilities		1,184,768	1,269,768
Prepaid expenses and other		23,241	486,993
Net cash used in operating activities		(1,031,610)	(2,230,664)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on issuance of shares (net of costs)	17	1,380	974,137
Share subscription received		30,800	
Proceeds from issuance of convertible debentures	13	-	-
Receipts from settlement of equity swap	7	153,245	200,000
Proceeds from short term loan	14	911,443	254,575
Repayment of short term loan	14	-	(254,575)
Repayment of deferred salary loans	15	(10,002)	(62,601)
Repayment of convertible promissory note		-	-
Issuance of common shares on exercise of options		-	-
Government grant		-	-
Lease liability payments	12	(51,483)	(117,048)
Net cash provided by financing activities		1,035,383	994,488
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES			
Purchase of equipment		-	(80,000)
Proceeds on disposal of property		-	274,306
Net cash (used in) provided by investing activities		-	194,306
Change in cash during the period		**3,773**	**(1,041,870)**
Cash, beginning of the period		**12,659**	**1,068,054**
Cash, end of the period		**16,432**	**26,184**

Supplemental disclosure with respect to cash flows (note 19)

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 and the Merged closed on January 31, 2020. The Company was incorporated under the Business Corporations Act (BC) on June 6, 2007. 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").

Effective April 13, 2021, through a series of transactions, the Company acquired 100% of the outstanding common shares of Geolithic Corp.

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. During the period ended May 31, 2023, the Company incurred a loss of $3,248,484 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. The material uncertainties related to events and conditions mentioned may cast significant doubt upon the Company's ability to continue as a going concern. 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, 2022, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), except as noted below. Accordingly, certain information and footnote disclosure normally included in annual financial statements have been omitted or condensed.

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

In preparing the Company's condensed interim consolidated financial statements for the nine months ended May 31, 2023, the Company applied the critical judgements and estimates disclosed in Note 3 of its consolidated financial statements for the year ended August 31, 2022. 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, 2022.

(Expressed in Canadian dollars) (Unaudited)

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, 2023, or the year ended August 31, 2022.

5. Receivables

As at May 31, 2023, $7,179 (August 31, 2022 - $9,978) is comprised of Goods and Services Tax / Harmonized Sales Tax ("GST") due from government taxation authorities.

6. Prepaids

As at May 31, 2023 and August 31, 2022, the majority of the Company's prepaid expenses are related to deposits and insurance premium advances.

7. Financial assets at fair value through profit and loss

	May 2023	**August 2022**
Financial assets at fair value through profit and loss		
- Current	$ -	$ 228,237
- Non-current	-	171,178
Total	**$ -**	$ 399,415
Opening balance	$ 399,415	$ -
At acquisition	-	2,420,150
Cash received on monthly swap settlements to date	(153,244)	(376,818)
Realized gain(loss) on settlement received to date	17,307	(205,000)
Unrealized loss – financial assets at fair value	(263,477)	(1,438,917)
	$ -	$ 399,415

Effective March 29, 2022, the Company entered into series of agreements with a third party; Sorbie Bornholm LP (Sorbie), whereby the following transactions resulted:

i. The Company issued 1,104 unsecured convertible notes of $1,000 each and totaled $1,104,000, convertible at maturity in two years into common shares at $0.12 per share.

ii. The Company issued 12,200,000 Units consisting of one common share and one-half common share purchase warrant, with each warrant entitling the holder to purchase one additional common share.

iii. In connection with the convertible notes and the Units, the Company issued a total of 10,700,368 warrants exercisable at a price of $0.175 per share for the first two years, and at $0.20 in the third year. Of the total warrants, 4,600,368 warrants are compensation warrants in connection with the convertible note.

(Expressed in Canadian dollars) (Unaudited)

7. Financial assets at fair value through profit and loss (continued)

iv. Equity sharing agreement (equity swaps) whereby the net proceeds of the transaction and the 12.2 million shares were put into an escrow account, to be released based on a predetermined schedule. 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. If the Company's share price is to exceed the base price of $0.16 the payments will increase to reflect the increase in share price, however, if the share prices fall below the based prices, the proceeds are adjusted for the decline and the Sorbie retains the difference of the scheduled payments and the calculated payments. During the period, the company received $129,556 of the cash held in escrow and realized a loss of $2,788 based on the terms of the agreement and the Company's share price.

v. On March 29, 2022, the total 12.2 million shares were issued by the Company and released in line with the schedule.

The above transactions resulted in the following assets and liabilities:

a. Financial asset at fair value through profit and loss which is the value of the subscriptions or cash proceeds expected to be received under the terms of the arrangements. This was recognized at relative fair value at the inception date and subsequently remeasured each reporting period to fair value. At the year end the Company recorded and unrealized loss as a result of the measurement of the asset. This is a Level 3 financial instrument.

b. Convertible debenture – liability which is recognized at relative fair value at the inception date and subsequently remeasured each reporting period to fair value as fair value through profit and loss liability. At the year end the Company recorded and unrealized loss as a result of the measurement of the liability. This is a Level 3 financial instrument.

c. Warrant liability was recognized at relative fair value at the inception date and subsequently remeasured each reporting period to fair value as fair value through profit and loss liability. At the year end the Company recorded and unrealized gain as a result of the measurement of the warrant liability. This is a Level 3 financial instrument.

The unrealized loss of the items are recorded in the consolidated statement of loss and total $320,630 (2022: $1,196,173).

d. Share issued and the Convertible debenture – equity portion were recognized at the relative fair value at the inception date and not remeasured.

The financial asset at fair value through profit and loss, the warrant liability, and the convertible debenture – liability was valued using the Monte Carlo simulation with 250 steps for each instrument, where the share price was projected at various points in the model. The method was chosen because the variation of terms with key inputs at the year-end as follows, all; other significant inputs such as term, or life of the warrant were based on the contract terms

Key inputs	Fair value through profit and loss	Warrant liability	Convertible debenture – liability
Volatility	97.48%	125.28%	40%

(Expressed in Canadian dollars) (Unaudited)

8. Property and equipment

	Office equipment	Furniture and fixtures	Research equipment	Land	Buildings	Total
Costs						
Balance, August 31, 2021	$ 22,716	$ 1,460	$ 368,958	$ 134,725	$ 179,013	$ 706,872
Additions			80,000			80,000
Disposal	-	-	-	(134,725)	(179,013)	(313,738)
Balance, August 31, 2022	22,716	1,460	448,958	-	-	473,134
Additions	-	-	-	-	-	-
Balance, May 31, 2023	22,716	1,460	448,958	-	-	473,134
Accumulated amortization						
As at August 31, 2021	$ 8,730	$ 602	$ 140,592	$ -	$ -	$ 149,924
Amortization	3,986	244	65,641	-	-	69,871
As at August 31, 2022	12,716	846	206,233	-	-	219,795
Amortization	2,215	136	36,376	-	-	38,727
As at May 31, 2023	14,931	982	242,609	-	-	258,522
Net book value						
Balance, August 31, 2022	$ 10,000	$ 614	$ 242,725	$ -	$ -	$ 253,339
Balance, May 31, 2023	$ 7,785	$ 478	$ 206,349	$ -	$ -	$ 214,612

9. 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, 2021	$ 345,125
Additions	-
As at August 31, 2022	$ 345,125
Additions	-
As at May 31, 2023	$ 345,125
Accumulated amortization	
As at August 31, 2021	$ 187,353
Change for the year	118,328
As at August 31, 2022	$ 305,683
Change for the period	39,442
As at May 31, 2023	$ 345,125
Net book value	
As at August 31, 2022	$ 39,442
As at May 31, 2023	$ -

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

10. 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, to be $140,628. A summary of the Company's intangible assets is provided below:

(Expressed in Canadian dollars) (Unaudited)

10. Intangible assets (continued)

	Intellectual property (acquisition of Geolithic)	Intellectual property (acquisition of 6WIC)	Website domains	Total
Costs				
Balance, August 31, 2021	$ 140,628	$ 2,098,105	$ 23,281	$ 2,262,014
Additions	-	-	-	-
Balance, August 31, 2022	140,628	2,098,105	23,281	2,262,014
Additions	-	-	-	-
Balance, May 31, 2023	140,628	2,098,105	23,281	2,262,014
Accumulated amortization				
Balance, August 31, 2021	$ -	$ 664,400	$ -	$ 664,400
Amortization	-	419,621	-	419,621
Balance, August 31, 2022	-	1,084,021	-	1,084,021
Amortization	-	314,716	-	314,716
Balance, May 31, 2023	-	1,398,737	-	1,398,737
Net book value				
Balance, August 31, 2022	$ 140,628	$ 1,014,084	$ 23,281	$ 1,177,993
Balance, May 31, 2023	$ 140,628	$ 699,368	$ 23,281	$ 863,277

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.

11. 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, 2021	$ 1,050,000
Additions	-
Impairment	1,050,000
Balance, August 31, 2022	$ -
Additions	-
Impairment	-
Balance, May 31, 2023	$ -

(Expressed in Canadian dollars) (Unaudited)

12. 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, 2022	Additions	Interest accretion	Interest payments	Principal payments	Foreign exchange	Current portion	May 31, 2023
Office lease liability	$ 49,315	-	1,566	(1,566)	(49,813)	798	-	$ -

	August 31, 2021	Additions	Interest accretion	Interest payments	Principal payments	Foreign exchange	Current portion	August 31, 2022
Office lease liability	$ 174,320	-	17,630	(17,630)	(126,724)	1,419	(49,015)	$ -

13. 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.

13. Convertible debentures (continued)

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.

March 29, 2022 Issuance

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 24 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.

(Expressed in Canadian dollars) (Unaudited)

13. Convertible debentures (continued)

Interest and accretion expense for the period ended May 31, 2023 was $227,871 (2022 - $62,763). The following table reconciles the changes attributable to the Company's convertible debentures:

	May 31, 2023	August 31,2022
Opening balance	$ 1,997,420	$ 1,612,023
Additions	-	202,713
Warrant component	-	-
Equity component	-	(83,997)
Fair Value adjustment	57,153	-
Interest and accretion	227,871	266,681
Closing balance	$ 2,282,444	$ 1,997,420

During the year, the Company settled certain interest owing on the convertible of $113,560 (2022 - $226,483) by the issuance of 383,943 (2022 - 761,598) common shares of the Company with a fair value of $11,518 (2022 - $95,671) resulting in a gain on share interest payment recorded on the consolidate statement of loss for $102,042 (2022 - $129,588).

14. Short term loan

Orca Holdings, LLC

On June 16, 2022, the Company secured a bridge loan in the amount of $291,509 (US$225,000) from Orca Holdings, LLC. The bridge loan is interest free and was repayable on July 22, 2022. The loan was extended to September 30, 2022.

On September 13, 2022, the Company secured an additional bridge loan in the amount of $131,667 (US$100,000) from Orca Holdings, LLC. The loan is interest free and secured by the royalty fee earned on a future Affinity licensing agreement. The agreement extended all current loans from Orca maturity date to October 31, 2022. The maturity date was further extended to October 25, 2023.

On October 25, 2022, the Company secured an additional bridge loan in the amount of $203,572 (US$150,000) from Orca Holdings, LLC. The bridge loan bears interest at 10% and is repayable on October 25, 2023.

On November 15, 2022, the Company secured a secured promissory note in the aggregate principal amount of up to US$612,500. The Note bears interest at 10% per annum and matures on October 25, 2023. The Note will be secured against the assets of the Company pursuant to a general security agreement. The existing debt with this creditor will be consolidated under the Note and the creditor made an additional $166,881 (US$125,000) to the Company which was advanced on November 18, 2022. As additional consideration for the issuance of the Note, the Company issued 788,000 Shares to the creditor and all existing options held by this creditor will vest immediately.

On December 22, 2022, the Company secured an additional draw on the secured promissory note of $204,500 (US$150,000) to increase the total drawn of US$762,500.

In April 2023, the Company secured an additional draw on the secured promissory note of US$40,000 to increase the total drawn of US$802,500.

In May 2023, the Company secured an additional draw on the secured promissory note of US$100,000 to increase the total drawn of US$902,500. The maturity date of the Note was amended to May 31, 2024.

In connection with the above and the amendments, the Company issued a total of 1,050,000 options. The value of these options were determined using the Black Scholes model with the key inputs included in note 17 and expensed in the consolidated statement of loss.

Promissory Note

On June 2, 2022, a shareholder and Director of the Company advanced the Company $16,133 (US$13,100). The Note is interest free and repayable on July 31, 2022. On August 1, 2022, the note was extended to December 31, 2022 and bears interest at 10% per annum. As of May 31, 2023, the loan remains outstanding and accruing interest.

Shareholder Loans

On June 1, 2022, a shareholder advanced the Company $10,000, interest free. The loan is interest free with no stated repayment date.

On August 30, 2022 another Shareholder advanced the Company $15,000. The loan is interest fee with no stated repayment date.

(Expressed in Canadian dollars) (Unaudited)

15. 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, 2023	August 31, 2022
Opening balance	$ 267,918	$ 309,025
Principal and interest repayments	(10,002)	(74,275)
Foreign exchange	5,168	10,503
Interest	16,528	22,666
Settled	-	-
Current portion	(128,315)	(141,720)
Closing balance	$ 151,297	$ 126,198

16. Warrant Liability

In connection with the transaction details in note 7 and completed during the year ended August 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 relative fair value of $108,092 using the Monte Carlo simulation model. As at May 31, 2023, there were 6,100,000 of these warrants remaining. (note 17a)

In addition, the Company also issued a total of 4,600,368 compensation 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 $81,518 using the Monte Carlo Simulation model. As at May 31, 2023, there were 4,600,368 of these warrants remaining. (note 17e).

The fair value allocated to the remaining warrants at May 31, 2023 was $9,931 (August 31, 2022 - $36,973) 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 and is recognized in the consolidated statement of loss. The key inputs are included in note 7.

17. 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, 2023, there were 136,693,529 issued and fully paid common shares and nil preferred shares issued.

As at August 31, 2022, there were 135,429,586 issued and fully paid common shares and nil preferred shares issued.

(Expressed in Canadian dollars) (Unaudited)

17. Share capital (continued)

Changes in share capital during the period ended May 31, 2023 and year ended August 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 $40,490 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 December 31, 2021, the Company paid interest on the Company's convertible debentures through the issuance of 383,943 shares as settlement in full of interest owing on that date, in accordance with the terms of the convertible debentures.

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-half 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 18)

On June 30, 2022, the Company paid interest on the Company's convertible debentures through the issuance of 377,655 shares as settlement in full of interest owing on that date, in accordance with the terms of the convertible debentures. The Company issued 761,598 common shares in total for the year for settlement of interest owing on its convertible debentures for a total fair value of $95,671. The Company recognized a gain on the settlement of interest of $129,588 (note 15).

On October 25, 2022, the Company issued 788,000 shares, issued under the secured loan agreement (note 14).

On December 31, 2022, the Company paid interest on the Company's convertible debentures through the issuance of 383,943 shares as settlement in full of interest owing of $113,560 on that date, in accordance with the terms of the convertible debentures. The Company recognized a gain on the settlement of interest of $102,042 (note 15).

On April 11, 2023, the Company paid interest on the Company's convertible loan note through the issuance of 92,000 shares as settlement in full of interest owing on that date, in accordance with the terms of the convertible loan note.

(b) Warrants

The continuity schedule of share purchase warrants is as follows:

	Number of share purchase warrants	Weighted Average Exercise Price
Balance, August 31, 2021	33,568,107	$0.540
Granted	16,062,318	$0.230
Expired	(3,959,340)	$0.790
Balance, August 31, 2022	45,671,085	$0.410
Granted	-	-
Expired	(29,319,095)	$0.510
Balance, May 31, 2023	16,351,990	$0.230

(Expressed in Canadian dollars) (Unaudited)

17. 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
$0.35	0.47 years	112,000	August 20, 2023
$0.35	0.50 years	36,400	August 31, 2023
$0.35	0.80 years	141,272	December 18,2023
$0.35	0.82 years	5,160,000	December 23, 2023
$.025	0.82 years	201,950	December 23, 2023
$0.175	2.08 years	6,100,000	March 29, 2025
$0.175	2.08 years	4,600,368	March 29, 2025
$0.230	1.39 years	16,351,990	

(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 May 2, 2022, the Company granted a total of 1,050,000 options to employees, consultants and a director 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 $66,596 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.

On June 10, 2022, the Company granted a total of 900,000 options to employees and directors of the Company. The options are exercisable at a price of $0.15 per share and will expire on June 10, 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 $41,625 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 3.32%, expected dividend yield 0%, share price $0.07, exercise price $0.15, volatility 101.46%, and expected life 5 years.

On June 21, 2022, the Company granted a total of 150,000 options to employees of the Company. The options are exercisable at a price of $0.15 per share and will expire on June 21, 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 $6,281 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 3.40%, expected dividend yield 0%, share price $0.065, exercise price $0.15, volatility 100.49%, and expected life 5 years.

On June 21, 2022, the Company granted a total of 175,000 options to employees of the Company. The options are exercisable at a price of $0.10 per share and will expire on June 21, 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 $8,000 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 3.40%, expected dividend yield 0%, share price $0.065, exercise price $0.10, volatility 100.49%, and expected life 5 years.

On June 21, 2022, the Company granted a total of 400,000 options to a consultant of the Company. The options are exercisable at a price of $0.09 per share and will expire on June 21, 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 $18,664 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 3.40%, expected dividend yield 0%, share price $0.065, exercise price $0.09, volatility 100.49%, and expected life 5 years.

On August 19, 2022, the Company granted a total of 150,000 options to a director of the Company. The options are exercisable at a price of $0.10 per share and will expire on August 19, 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 $4,903 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 3.13%, expected dividend yield 0%, share price $0.05, exercise price $0.10, volatility 98.86%, and expected life 5 years.

(Expressed in Canadian dollars) (Unaudited)

17. Share capital (continued)

On August 19, 2022, the Company granted a total of 400,000 options to a consultant of the Company. The options are exercisable at a price of $0.09 per share and will expire on August 19, 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 $13,391 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 3.13%, expected dividend yield 0%, share price $0.05, exercise price $0.09, volatility 98.86%, and expected life 5 years.

On October 25, 2022, the Company granted a total of 250,000 options to a consultant of the Company. The options are exercisable at a price of $0.09 per share and will expire on October 25, 2027. These options are fully vested upon issuance. These options were valued at $6,586 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 3.66%, expected dividend yield 0%, share price $0.04, exercise price $0.09, volatility 101.88%, and expected life 5 years.

On October 25, 2022, the Company granted a total of 250,000 options to a consultant of the Company. The options are exercisable at a price of $0.05 per share and will expire on October 25, 2027. These options are fully vested upon issuance. These options were valued at $7,400 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 3.66%, expected dividend yield 0%, share price $0.04, exercise price $0.05, volatility 101.88%, and expected life 5 years.

During the period ended May 31, 2023, the Company recognized $162,508 (2022 - $162,508) 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, 2021	6,740,000	$0.49
Granted	3,225,000	$0.13
Cancelled	(1,540,000)	$0.43
Balance, August 31, 2022	8,425,000	$0.36
Granted	500,000	$0.07
Exercised	-	-
Balance, May 31, 2023	8,925,000	$0.35

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	0.39 years	1,390,000	1,390,000	October 22, 2023
$0.75	1.46 years	900,000	900,000	November 15, 2024
$0.75	1.62 years	935,000	935,000	January 13, 2025
$0.35	2.38 years	950,000	950,000	October 16, 2025
$0.46	2.79 years	500,000	500,000	March 15, 2026
$0.30	3.09 years	525,000	525,000	July 2, 2026
$0.15	3.92 years	1,050,000	700,000	May 2, 2027
$0.15	4.03 years	900,000	300,000	June 10, 2027
$0.15	4.06 years	150,000	50,000	June 21, 2027
$0.10	4.06 years	175,000	58,333	June 21, 2027
$0.09	4.06 years	400,000	400,000	June 21, 2027
$0.10	4.22 years	150,000	50,000	August 19, 2027
$0.09	4.22 years	400,000	400,000	August 19, 2027
$0.09	4.41 years	250,000	250,000	October 25, 2027
$0.30	4.41 years	250,000	250,000	October 25, 2027
$0.35	2.68 years	8,925,000	7,658,333	

(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. In 2022 the Company approved an increase in the number of common shares to not exceed 4,000,000.

(Expressed in Canadian dollars) (Unaudited)

17. Share capital (continued)

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, 2023, the Company recognized $47,474 (2022 - $113,896) in share-based compensation expense for DSUs which have vested during the period. During the period ended May 31, 2023, 400,000 (2021 – 400,000) 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, 2023, the Company recognized $11,107 (2022 - $27,280) in share-based compensation expense for DSUs which have vested during the period. The DSUs awarded to the CEO vested 50% on issuance, and the balance will vest 50% on the first specified event and 50% on the second specified event. During the period ended May 31, 2023, 190,000 (2022 – 290,000) of these DSU's have vested.

No DSUs were exercised or forfeited during the period ended May 31, 2023. At May 31, 2022, there are 2,360,000 DSUs issued.

(e) Escrowed shares

As at May 31, 2023, Nil (2022 – 2,546,898) 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.

(f) 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.

18. 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, 2023	Period Ended May 31, 2022
Management and consulting fees	$ 603,968	$ 874,862
Director's fees and consulting fees paid to directors	67,500	62,500
Share-based payments	81,696	69,018
Total	$ 753,164	$ 1,006,380

(a) During the period ended May 31, 2023, the Company incurred $225,000 (2022 – $225,000) in management and consulting expense to the CEO of the Company pursuant to CEO services provided. The Company recorded $23,737 (2022 - $6,158) in share-based compensation representing the fair value of options and DSU's that were granted to the CEO which have vested during the period. At the period ended May 31, 2023, amounts due to the CEO for payroll are included in accounts payable and accrued liabilities which total $477,953 (2022 - $202,815). In addition, the CEO advanced $nil (2022 - $15,315) to the Company which is included in accounts payable and accrued liabilities.

(Expressed in Canadian dollars) (Unaudited)

18. Related party transactions (continued)

(b) During the period ended May 31, 2023, the Company incurred $108,333 (2022 - $39,452) in management expense to the former CFO of the Company pursuant to CFO services provided of which $51,875 (2022 - $38,873) are included in accrued liabilities and accounts payable as at May 31, 2023. The Company recorded $10,563 (2022 - $8,8398) in share-based compensation representing the fair value of options and DSU's that were granted to the CFO which have vested during the period.

(c) During the period ended May 31, 2023, the Company incurred $Nil (2022 - $68,542) 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 $14,687 (2022 - $14,687) are included in accrued liabilities and accounts payable as at May 31, 2023. The Company recorded $Nil (2022 - $3,079) in share-based compensation representing the fair value of options that were granted to the former CFO which have vested during the period.

(d) During the period ended May 31, 2023, the Company incurred $222,922 (2022 - $208,509) in management expense to the COO of the Company pursuant to COO services provided. The Company recorded $4,360 (2022 - $6,158) in share-based compensation representing the fair value of options and DSU's that were granted to the COO which have vested during the period. As at May 31, 2023, the Company owed the COO $380,590 (August 31, 2022 - $248,551) for unpaid payroll.

(e) During the period ended May 31, 2023, the Company incurred $16,178 (2022 – $240,859) in management and consulting expense to the former Executive Vice President ("EVP") of the Company for EVP services provided. The Company recorded $28,097 (2022 - $6,158) 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, 2023, the Company owed the former EVP $232,308 (August 31, 2022 - $210,707) for unpaid payroll.

(f) During the period ended May 31, 2023, the Company incurred $Nil (2022 – $17,500) in director fees to former Directors of the Company. The Company recorded $Nil (2022 – $2,024) in share-based compensation representing the fair value of options granted to the former Directors of the Company which have vested during the year. As at May 31, 2023, the Company owed the former Director $25,000 (2022 - $25,000) that is included in accrued liabilities and accounts payable.

(g) During the period ended May 31, 2023, the Company incurred $99,000 (2022 – $62,500) in director fees and consulting fees to Directors of the Company. The Director's earned $67,500 (2022 - $45,000) in director's fees and $31,500 (2022 - $17,500) in management and consulting expense for consulting services provided. The Company recorded $14,940 (2022 – $55,248) in share-based compensation representing the fair value of options granted to Directors of the Company which have vested during the period. As at May 31, 2023, the Company owed the Director's $100,125 (2022 - $nil) in unpaid Director's fees and $62,475 (2022 - $nil) in unpaid consulting expenses.

19. Supplemental disclosure with respect to cash flows

	Period Ended May 31, 2023 ($)	Period Ended May 31, 20212 ($)
Cash paid for income taxes	-	-
Cash paid for interest	16,528	3,888

Significant non-cash transactions during the period ended May 31, 2023 and 2022:

	Period Ended May 31, 2023 ($)	Period Ended May 31, 2022 ($)
Warrants issued as finders fees	-	-

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

(Expressed in Canadian dollars) (Unaudited)

20. 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 May 31, 2023, the carrying values of cash, receivables, accounts payable and accrued liabilities, lease liability, short term loans, and deferred salary loans 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, 2023, the Company had a cash balance of $16,432 (August 31, 2022 - $12,659) to settle accounts payable and accrued liabilities of $3,126,617 (August 31, 2022 - $2,081,597).

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.

As of May 31, 2023, these commitments required total payments, as follows:

	$
Payable not later than one year	2,405,178
Payable later than one year and not later than five years	306,878
Payable later than five years	-
	2,712,055

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, 2023, 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, 2023, the Company had a foreign currency net monetary liability position of $1,026,164 USD. Each 1% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain or loss of approximately $12,316.

20. Financial risk management (continued)

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.

21. Commitments

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.

22. Subsequent events

In June 2023, the Company secured an additional draw on the secured promissory note of US$45,000 to increase the total drawn of US$947,500.

In July 2023, the Company secured an additional draw on the secured promissory note of US$32,500 to increase the total drawn of US$980,000.

On June 30, 2023, the Company paid interest on the Company's convertible loan note through the issuance of 383,943 shares as settlement in full of interest owing on that date, in accordance with the terms of the convertible loan note.