Railtown AI Technologies Inc.

Condensed Interim Financial Statements

Nine months ended June 30, 2021 and 2020

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

RAILTOWN AI TECHNOLOGIES INC.
Condensed Interim Statements of Financial Position
(Prepared by Management)
(Expressed in Canadian dollars)

	June 30, 2021 (Unaudited)	September 30, 2020 (Audited)
Assets		
Current assets		
Cash	$ 494,766	$ 251,346
Receivables	7,971	4,735
Prepaid expense	51,250	2,950
	553,987	259,031
Equipment *(Note 3)*	16,325	13,098
	$ 570,312	$ 272,129
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities		
Trade payables and accrued liabilities *(Note 5)*	$ 67,946	$ 27,268
	67,946	27,268
Shareholders' equity (deficiency)		
Share capital *(Note 7)*	3,011,093	1,943,857
Contribution surplus (*Note 7)*	520,343	-
Deficit	(3,029,070)	(1,698,996)
	502,366	244,861
	$ 570,312	$ 272,129

Nature of Operations *(Note 1)*
Subsequent Events *(Note 10)*

Approved on behalf of the Board on August 30, 2021

"Cory Brandolini"
Director

"Paul Woodward"
Director

See accompanying notes to the condensed interim financial statements.

RAILTOWN AI TECHNOLOGIES INC.
Condensed Interim Statements of Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three months ended June 30, 2021	Three months ended June 30, 2020	Nine months ended June 30, 2021	Nine months ended June 30, 2020
Expenses				
Bank charges	$ 497	$ 272	$ 1,422	$ 525
Consulting fees	10,000	-	51,050	-
Depreciation (Note 3)	2,537	884	6,586	3,118
Filling fees	139	1,458	7,386	7,991
Office (Note 6)	16,556	7,411	37,597	25,664
Professional fees	103,890	8,899	141,492	42,582
Rent (Note 6)	4,858	4,857	13,822	14,194
Salaries (Note 6)	233,510	102,072	546,236	184,188
Share-based compensation (Note 6)	56,721	-	520,343	-
Travel	1,344	160	4,140	5,874
Net and comprehensive loss for the period	$ (430,052)	$ (126,013)	$ (1,330,074)	$ (284,136)
Weighted average number of common shares outstanding – basic and diluted	70,314,299	62,935,549	69,055,361	55,196,970
Basic and diluted loss per common share	$ (0.01)	$ (0.00)	$ (0.02)	$ (0.01)

RAILTOWN AI TECHNOLOGIES INC.
Condensed Interim Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Nine months ended June 30, 2021	2020
Operating activities:		
Net loss for the period	$ (1,330,074)	$ (284,136)
Items not involving cash:		
Depreciation	6,586	3,118
Share-based compensation	520,343	-
Changes in non-cash working capital items:		
Receivables	(3,236)	(4,060)
Prepaid expense	(48,300)	(168)
Trade payables and accrued liabilities	40,678	14,593
Due to related parties	-	(1,722)
Net cash used in operating activities	(814,003)	(272,375)
Investing activities:		
Purchase of equipment	(9,813)	(17,256)
Net cash used in investing activities	(9,813)	(17,256)
Financing activities:		
Proceeds – private placement	1,133,356	419,000
Share issue costs - cash	(66,120)	(11,390)
Net cash provided by financing activities	1,067,236	407,610
Change in cash	243,420	117,979
Cash, beginning of the period	251,346	63,346
Cash, end of the period	$ 494,766	$ 181,325
Supplemental cash flow information		
Acquisition of intangible asset – software technology	$ -	$ 1,000,000

See accompanying notes to the condensed interim financial statements.

RAILTOWN AI TECHNOLOGIES INC.
Condensed Interim Statement of Changes in Shareholders' Equity (Deficiency)
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Share Capital				
	Shares	Amount	Contribution Surplus	Deficit	Total
Balance, September 30, 2019	9,240,875	$ 315,647	$ -	$ (265,005)	$ 50,642
Acquisition of technologies	50,000,000	1,000,000	-	-	1,000,000
Private placements	4,190,000	419,000	-	-	419,000
Share issuance costs	-	(11,390)	-	-	(11,390)
Net and comprehensive loss	-	-	-	(284,136)	(284,136)
Balance, June 30, 2020	63,430,875	1,723,257	-	(549,141)	1,174,116
Private placements	2,350,000	235,000	-	-	235,000
Share issuance costs	-	(14,400)	-	-	(14,400)
Net and comprehensive loss	-	-	-	(1,149,855)	(1,149,855)
Balance, September 30, 2020	65,780,875	1,943,857	-	(1,698,996)	244,861
Private placements	4,533,424	1,133,356	-	-	1,133,356
Share issuance costs - cash	-	(66,120)	-	-	(66,120)
Share-based compensation	-	-	520,343	-	520,343
Net and comprehensive loss	-	-	-	(1,330,074)	(1,330,074)
Balance, June 30, 2021	70,314,299	$ 3,011,093	$ 520,343	$(3,029,070)	$ 502,366

See accompanying notes to the condensed interim financial statements.

1. Nature of operations

Railtown AI Technologies Inc. (the “Company” or “”Railtown”) was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (British Columbia) on May 11, 2011.

The head office of the Company is located at Unit 104, 8337 Eastlake Drive, Burnaby, British Columbia, V5A 4W2. The registered office of the Company is located at 3148 Highland Boulevard, North Vancouver, British Columbia, V7R 2X6.

These condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at June 30, 2021, the Company is not able to finance day to day activities through operations and incurs losses. The continuing operations of the Company are dependent upon its ability to identify a viable business opportunity and to attain profitable operations and generate funds there from. This indicates the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs with loans from directors and companies controlled by directors and or private placement of common shares. These condensed interim financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate.

Effective August 23, 2019 the Company changed its name from Railtown Capital Corp. to Railtown AI Technologies Inc. as part of a rebranding initiative to better align the Company’s name and image with its anticipated new business operations. Concurrently, the Company consolidated its common share on a 5.754 : 1 basis. These financial statements have been retrospectively adjusted for this consolidation.

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. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

2. Significant accounting policies and basis of presentation

Statement of compliance

These unaudited condensed interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting.

The policies applied in the condensed interim financial statements are presented below and are based on IFRS’ issued and outstanding as of August 30, 2021; the date the Board of Directors approved the condensed interim financial statements. None of these standards are expected to have a significant effect on the condensed interim financial statements.

Basis of preparation

The condensed interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial statements are presented in Canadian dollars unless otherwise noted.

2. Significant accounting policies and basis of presentation (continued)

Significant estimates and assumptions

The preparation of the condensed interim financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability and measurement of deferred tax assets.

Significant judgments and estimates

The preparation of the condensed interim financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty. The most significant estimate includes the assessment of impairment of intangible assets. (see Note 4)

Equipment

Equipment are recorded at cost and depreciated using the straight line method at the following rates per annum.

Computer	3 years
Equipment	5 years

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. The assets' residual values, deprecation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

2. Significant accounting policies and basis of presentation (continued)

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Financial instruments

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

Classification

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

Measurement

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

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

2. Significant accounting policies and basis of presentation (continued)

Financial instruments (continued)

Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Impairment of financial assets at amortized cost

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

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The Company's financial assets and liabilities are recorded and measured as follows:

Asset or liability	Category	Measurement
Cash	FVTPL	Fair value
Trade payable and accrued liabilities	Other financial liabilities	Amortized cost

2. Significant accounting policies and basis of presentation (continued)

Financial instruments (continued)

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash has been measured at fair value using Level 1 inputs.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant measured using the Black-Scholes option pricing model and charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid. If the options expire unexercised, the share-based payments remain in share-based payment reserve.

2. Significant accounting policies and basis of presentation (continued)

Share-based payments *(continued)*

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Income taxes

Current income tax:
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:
Deferred income tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(Expressed in Canadian Dollars)

3. Equipment

	Computer	Equipment	Total
Cost			
Balance, September 30, 2019	$ -	$ -	$ -
Additions	13,903	3,353	17,256
Balance, September 30, 2020	13,903	3,353	17,256
Additions	9,441	372	9,813
Balance, June 30, 2021	$ 23,344	$ 3,725	$ 27,069
Accumulated depreciation			
Balance, September 30, 2019	$ -	$ -	$ -
Additions	3,823	335	4,158
Balance, September 30, 2020	3,823	335	4,158
Additions	6,105	481	6,586
Balance, June 30, 2021	$ 9,928	$ 816	$ 10,744
Carrying amounts			
Balance, September 30, 2020	$ 10,080	$ 3,018	$ 13,098
Balance, June 30, 2021	$ 13,416	$ 2,909	$ 16,325

(Expressed in Canadian Dollars)

4. Intangible assets

		Intangible asset – software technology
Cost		
Balance, September 30, 2019	$	-
Additions		1,000,000
Impairment		(1,000,000)
Balance, September 30, 2020 and June 30, 2021	$	-

During the year ended September 30, 2020, the Company entered into a technology transfer agreement with a group of vendors to acquire the rights to certain software technology, the development and subsequent commercialization of which has become the Company's ongoing business.

Pursuant to the technology transfer agreement and in consideration for acquiring the technology, the Company issued 50,000,000 common shares valued at $1,000,000. The intangible asset, comprising of a cloud-based platform to support efficient software development and the software platform.

During the year ended September 30, 2020, the management decided to impair the intangible assets due to uncertainty in its ability to create economic benefit.

5. Trade payables and accrued liabilities

		June 30, 2021		September 30, 2020
Trade payables	$	60,252	$	16,593
Accrued liabilities		7,694		10,675
Trade payables and accrued liabilities	$	67,946	$	27,268

6. Related party transactions

The following loans from related companies, who have directors in common with the Company. The payables are unsecured, non-interest bearing with no specific terms of repayment.

		Due to related parties
Balance at September 30, 2019	$	1,722
Repayment		(1,722)
Balance at September 30, 2020 and June 30, 2021	$	-

During the nine months ended June 30, 2021, the Company paid or accrued:

- rent expenses of $13,821 (2020 - $14,194) to a corporation which has a director in common with the Company.

6. Related party transactions (continued)

- marketing fees, included in office, of $Nil (2020 - $4,775) paid or accrued to a company related to a director of the Company.
- salaries of $234,436 (2020 - $138,050) paid or accrued to directors and officers of the Company.
- share-based compensation of $283,569 (2020 - $Nil) to directors and officers of the Company.

7. Share capital

Authorized

Unlimited number of common shares without par value.

Shares issued

During the period ended June 30, 2021, the Company:

i) completed a private placement of 2,902,000 common shares at a price of $0.25 for aggregate gross proceeds of $725,500. The Company paid $38,000 and issued 152,000 broker's warrants as finder's fees. Each broker's warrants will entitle the holder to acquire one common share of the Company at a price of $0.25 per share until the date that is 12 months following the date on which the common shares of the Company are listed for trading on a recognized stock exchange in Canada. The broker's warrants are valued at $Nil due to the uncertainty regarding the expected date of trading on a recognized stock exchange in Canada.

ii) completed a private placement of 120,000 common shares at a price of $0.25 for aggregate gross proceeds of $30,000. The Company paid $2,400 and issued 9,600 broker's warrants as finder's fees. Each broker's warrants will entitle the holder to acquire one common share of the Company at a price of $0.25 per share until the date that is 12 months following the date on which the common shares of the Company are listed for trading on a recognized stock exchange in Canada. The broker's warrants are valued at $Nil due to the uncertainty regarding the expected date of trading on a recognized stock exchange in Canada.

iii) completed a private placement of 1,462,000 common shares at a price of $0.25 for aggregate gross proceeds of $365,500. The Company paid $25,720 and issued 102,880 broker's warrants as finder's fees. Each broker's warrants will entitle the holder to acquire one common share of the Company at a price of $0.25 per share until the date that is 12 months following the date on which the common shares of the Company are listed for trading on a recognized stock exchange in Canada. The broker's warrants are valued at $Nil due to the uncertainty regarding the expected date of trading on a recognized stock exchange in Canada.

iv) completed a private placement of 49,424 common share at a price of $0.25 for aggregate gross proceeds of $12,356.

During the year ended September 30, 2020, the Company:

i) issued 50,000,000 common shares, valued at $1,000,000, pursuant to the acquisition of software technology (Note 4).

ii) closed a private placement of 2,720,000 common shares at a price of $0.10 per share for aggregate gross proceeds of $272,000. The Company paid $1,000 in share issuance cost.

(Expressed in Canadian Dollars)

7. Share capital (continued)

iii) closed a private placement of 1,470,000 common shares at a price of $0.10 per share for aggregate gross proceeds of $147,000. The Company paid $10,390 in share issuance cost.

iv) closed a private placement of 2,350,000 common shares at a price of $0.10 for aggregate gross proceeds of $235,000. The Company paid $14,400 in share issuance cost.

Stock options

During the period ended June 30, 2021, the Company:

i) granted 1,000,000 stock options at a price of $0.10 per share, expiring on October 15, 2025. The stock options are valued at $235,700, and vest 300,000 options upon the completion of 12 months of employment, 300,000 upon the completion of 24 months of employment, and 400,000 upon the completion of 36 months of employment. These 1,000,000 options were forfeited upon resignation of the employee.

ii) granted 3,150,000 incentive stock options at a price of $0.25 per share, expiring March 15, 2026. The stock options are valued at $714,500 and vest 1,500,000 options immediately, and the remaining 1,650,000 options vest as follows:

a) 250,000 options vest over three years, where 100,000 options vest on January 4, 2022, 100,000 options vest on January 4, 2023, and 50,000 options vest on January 4, 2024.

b) 500,000 options vest over three years, where 200,000 options vest on December 1, 2021, 200,000 options vest on December 1, 2022, and 100,000 options vest on December 1, 2023.

c) 400,000 options vest over three years, where 150,000 options vest on February 1, 2022, 150,000 options vest on February 1, 2023, and 100,000 options vest on February 1, 2024.

d) 500,000 options vest over three years, where 150,000 options vest on March 3, 2022, 1500,000 options vest on March 3, 2023, and 200,000 options vest on March 3, 2024.

iii) granted 1,125,000 stock options at a price of $0.25 per share, expiring on May 13, 2026. The stock options are valued at $255,600, and vest 125,000 options immediately. The remaining 1,000,000 options were forfeited due to resignation of consultant.

Details of stock option activity for the period ended June 30, 2021 and year ended September 30, 2020:

Stock options outstanding	**Period ended June 30, 2021**		**Year ended September 30, 2020**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
	#	**$**	**#**	**$**
Outstanding – beginning of period	-	-	-	-
Granted	5,275,000	0.22	-	-
Expired/Forfeited	(2,000,000)	0.18	-	-
Outstanding – end of period	3,275,000	0.25	-	-

(Expressed in Canadian Dollars)

7. Share capital (continued)

The following table discloses the number of options and vested options outstanding as at June 30, 2021:

Expiry Date	Exercise Price	Number of Option Outstanding	Number of Option Exercisable
March 15, 2026	$0.25	3,150,000	1,500,000
May 13, 2026	$0.25	125,000	125,000
		3,275,000	1,625,000

The fair value of options granted and vested was calculated using the Black-Scholes Model for total share-based payment expense of $520,343 (2020 - $Nil) based on the following weighted average assumptions:

	Period Ended June 30, 2021	Year Ended September 30, 2020
Risk-free interest rate	0.43%	-
Expected life of options	5.00 years	-
Annualized volatility	150.00%	-
Dividend yield	0%	-

Warrants

During the period ended June 30, 2021, the Company granted:

- 152,000 broker's warrants exercisable at $0.25 per share for 12 months following the date on which the common share of the Company are listed for trading on a recognized stock exchange in Canada.
- 9,600 broker's warrants exercisable at $0.25 per share for 12 months following the date on which the common share of the Company are listed for trading on a recognized stock exchange in Canada.
- 102,880 broker's warrants exercisable at $0.25 per share for 12 months following the date on which the common share of the Company are listed for trading on a recognized stock exchange in Canada.

8. Financial instruments

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank account. All of its cash is deposited in a bank account held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

8. **Financial instruments** (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates only in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rates. The income earned on the bank account is subject to the movements in interest rates. Management considers the risk to be minimal.

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

Historically, the Company's main 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.

9. Capital disclosure

Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company is not subject to externally imposed capital requirements. The Company's management of capital did not change during the period ended June 30, 2021.

10. Subsequent events

Subsequent to June 30, 2021 the Company filed a preliminary long-form prospectus with the securities regulators in each of the Provinces of British Columbia, Alberta and Ontario, in connection with its public offering of a minimum of 7,500,000 common shares and a maximum of 12,500,000 common shares, at a price of $0.40 per share. Pursuant to the public offering, the Company intends to raise gross proceeds of a minimum of $3,000,000 and a maximum of up to $5,000,000.

ROTH Canada, ULC is acting as agent for the Offering on a commercially reasonable efforts basis. In connection with the Offering the Company has granted ROTH Canada, ULC an option, exercisable, in whole or in part, any time up to 48 hours prior to the closing of the public offering, to purchase up to an aggregate number of additional common shares as is equal to 15% of the number of common shares sold pursuant to the maximum offering amount of the public offering at the share price, to cover over-allocations, if any, and for market stabilization purposes.