IMAGINATION PARK TECHNOLOGIES INC.

(formerly Imagination Park Entertainment Inc.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED – PREPARED BY MANAGEMENT)

FOR THE NINE MONTHS ENDED MAY 31, 2019
(EXPRESSED IN CANADIAN DOLLARS)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed interim financial statements of Imagination Park Technology have been prepared by and are the responsibility of management and have approved by the Board of Directors.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

IMAGINATION PARK TECHNOLOGIES INC.
(FORMERLY IMAGINATION PARK ENTERTAINMENT INC.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED – PREPARED BY MANAGEMENT)
(EXPRESSED IN CANADIAN DOLLARS)
AS AT

	May 31, 2019	August 31, 2018
ASSETS		
Current		
Cash	$ 875,754	$ 324,938
Receivables (Note 6)	106,139	147,047
Prepaid expenses (Note 7)	49,982	90,858
Total current assets	1,031,875	562,843
Reclamation bonds (Note 8)	5,040	5,040
Intangible assets (Note 10)	6,040,682	6,642,803
Investment in Kindergarten Holdings Inc.	12,801	12,801
Total assets	$ 7,090,398	$ 7,223,487
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Notes 11 and 14)	$ 286,549	$ 595,888
Loans payable	-	425
Convertible promissory note (Note 12)	-	2,007,025
Total liabilities	286,549	2,603,338
Shareholders' equity		
Capital stock (Note 13)	23,851,616	19,902,634
Reserves (Note 13)	4,554,908	4,280,305
Deficit	(21,602,675)	(19,562,790)
Total shareholders' equity	6,803,849	4,620,149
Total liabilities and shareholders' equity	$ 7,090,398	$ 7,223,487

See accompanying notes to the condensed interim consolidated financial statements.
Nature and continuance of operations (Note 1)
Subsequent events (Note 17)

These condensed interim consolidated financial statements are authorized for issuance by the Board of Directors on July 30, 2019

On behalf of the Board:

"Sheldon Inwentash", Director *"Gerry Feldman"*, Director

IMAGINATION PARK TECHNOLOGIES INC.
(FORMERLY IMAGINATION PARK ENTERTAINMENT INC.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(UNAUDITED – PREPARED BY MANAGEMENT)
(EXPRESSED IN CANADIAN DOLLARS)

	Three months ended May 31, 2019	Three months ended May 31, 2018	Nine months ended May 31, 2019	Nine months ended May 31, 2018
REVENUE	$ 7,161	$ -	$ 91,117	$ -
EXPENSES				
Accretion of convertible promissory note (Note 12)	466,679	-	692,857	-
Consulting fees and management fees (Note 14)	36,152	526,311	817,161	950,596
Depreciation (Note 10)	1,104,215	-	1,104,215	-
Foreign exchange loss	41,927	3,202	75,384	24,850
Interest expense	-	10,000	-	10,000
Office, rent, and miscellaneous	94,595	43,290	262,949	61,165
Pre-production expenses	-	53,654	13,094	278,146
Professional fees	100,665	77,284	217,671	188,504
Share-based compensation (Note 13 and 14)	187,615	133,269	274,603	2,005,616
Shareholder communications and promotion	47,961	200,333	290,862	332,205
Software costs	23,458	-	23,458	-
Transfer agent and filing fees	1,609	15,935	21,730	36,161
Travel and accommodation	5,282	34,054	55,689	146,475
Wages and salaries	133,415	-	633,566	-
	(2,243,573)	(1,097,332)	(4,483,239)	(4,033,718)
OTHER				
Fair value gain on acquisition of Xenoholographic	-	1,400,577	-	1,400,577
Gain on revaluation of derivative liability (Note 12)	1,000	-	358,000	-
Gain on sale of subsidiary (Note 5)	-	-	8,758	-
Gain on settlement of debt (Notes 11 and 12)	1,901,790	-	1,919,407	4,650
Share of loss in equity accounted investment	-	(9,641)	-	(38,316)
Write off of accounts payable (Note 11)	23,795	-	66,072	-
	1,926,585	1,390,936	2,352,237	(1,366,911)
Net loss and comprehensive loss for the period	$ (309,827)	$ 293,604	$ (2,039,885)	$ (2,666,807)
Basic and diluted net loss per common share	$ (0.00)	$ 0.00	$ (0.02)	$ (0.04)
Weighted average number of common shares outstanding – basic and diluted	102,508,701	66,003,525	95,645,338	63,830,915

See accompanying notes to the condensed interim consolidated financial statements.

IMAGINATION PARK TECHNOLOGIES INC.
(FORMERLY IMAGINATION PARK ENTERTAINMENT INC.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED – PREPARED BY MANAGEMENT)
(EXPRESSED IN CANADIAN DOLLARS)

		Nine months ended May 31,		
		2019		2018
CASH FLOW FROM OPERATING ACTIVITIES				
Net loss for the period	$	(2,039,885)	$	(2,666,807)
Items not affecting cash:				
Depreciation		1,104,215		-
Share-based compensation		274,603		2,005,616
Accretion of convertible promissory note		692,857		-
Write off of accounts payable		(66,072)		-
Gain on settlement of debt		(1,919,407)		(10,305)
Gain on revaluation of convertible promissory note		(358,000)		-
Gain on sale of Imagination Park Alberta Ltd.		(8,758)		-
Share of loss in equity accounted investment before the acquisition		-		38,316
Gain on increased fair value of the first 50% investment in Xenoholographic		-		(1,400,577)
Foreign exchange loss		78,579		-
Change in non-cash working capital items:				
Decrease (increase) in receivables		41,983		(151,373)
Decrease (increase) in prepaid expenses		40,876		(145,512)
Decrease in accounts payable and accrued liabilities		(165,493)		(71,635)
Increase in deposit		-		15,500
Net cash flows used in operating activities		(2,324,502)		(2,386,777)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from private placements		3,009,008		3,160,449
Share issuance costs		(3,696)		(14,099)
Proceeds from option exercises		-		141,855
Proceeds from warrant exercises		-		207,632
Net cash flows provided by financing activities		3,005,312		3,495,837
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash used for purchase of intangible assets (Note 10)		(77,094)		-
Cash received on acquisition of 1142128 B.C. Ltd.		-		115,126
Investment in Xenoholographic Inc.		-		(1,495,407)
Cash received on acquisition of Xenoholographic Inc.		-		4,225
Cash relinquished on sale of Imagination Park Alberta Ltd.		(52,900)		-
Net cash flows used in investing activities		(129,994)		(1,376,056)
Change in cash		550,816		(266,996)
Cash, beginning of period		324,938		528,401
Cash, end of period	$	875,754	$	261,405
Cash paid for taxes during the period	$	-	$	-
Cash paid for interest during the period	$	-	$	-

Supplemental disclosure with respect to cash flows (Note 15)

See accompanying notes to the condensed interim consolidated financial statements.

IMAGINATION PARK TECHNOLOGIES INC.
(FORMERLY IMAGINATION PARK ENTERTAINMENT INC.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED – PREPARED BY MANAGEMENT)
(EXPRESSED IN CANADIAN DOLLARS)

				Reserves			
	Number of shares	Capital stock	Treasury shares/ obligation to issue shares	Share-based payment reserve	Warrant reserve	Deficit	Total
Balance, August 31, 2017	61,589,503	$ 15,121,397	$ -	$ 1,556,162	$ 337,830	$ (16,522,209)	$ 493,180
Issued pursuant to private placements	7,685,999	3,160,449	-	-	-	-	3,160,449
Issued pursuant to the acquisition of Prodigy Films Inc.	71,428	44,285	-	-	-	-	44,285
Issued pursuant to the acquisition of 1142128 B.C. Ltd.	62,500	56,875	-	-	-	-	56,875
Issued pursuant to the acquisition of Xenoholographic Inc. .	1,828,571	594,286	-	-	-	-	594,286
Finders' fees – cash	-	(4,800)	-	-	-	-	(4,800)
Finders' fees – shares	86,929	-	-	-	-	-	-
Finders' fees – warrants	-	(8,875)	-	-	8,875	-	-
Exercise of options	678,000	141,855	-	-	-	-	141,855
Fair value of exercised options	-	116,288	-	(116,288)	-	-	-
Exercise of warrants	636,160	207,632	-	-	-	-	207,632
Fair value of exercised warrants	-	11,944	-	-	(11,944)	-	-
Share issuance costs	-	(9,299)	-	-	-	-	(9,299)
Obligations to issue shares	-	-	7,500	-	-	-	7,500
Share-based compensation	-	-	-	1,390,297	-	-	1,390,297
Warrants issued pursuant to bridge loan agreement	-	-	-	-	615,319	-	615,319
Net and comprehensive loss for the period	-	-	-	-	-	(2,666,807)	(2,666,807)
Balance, May 31, 2018	72,639,090	$ 19,432,037	$ 7,500	$ 2,830,171	$ 950,080	$ (19,189,016)	$ 4,030,772
Balance, August 31, 2018	76,381,470	$ 19,902,634	$ -	$ 3,111,529	$ 1,168,776	$ (19,562,790)	$ 4,620,149
Issued pursuant to private placements	25,075,068	3,009,008	-	-	-	-	3,009,008
Issued pursuant to purchase of intangible assets	5,000,000	425,000	-	-	-	-	425,000
Issued pursuant to settlement of promissory note	6,915,600	518,670	-	-	-	-	518,670
Share issuance costs	-	(3,696)	-	-	-	-	(3,696)
Share-based compensation	-	-	-	274,603	-	-	274,603
Net and comprehensive loss for the period	-	-	-	-	-	(2,039,885)	(2,039,885)
Balance, May 31, 2019	113,372,138	$ 23,851,616	$ -	$ 3,386,132	$ 1,168,776	$ (21,602,675)	$ 6,803,849

See accompanying notes to the condensed interim consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Imagination Park Technology Inc. (formerly Imagination Park Entertainment Inc.) ("the Company") is a public company domiciled in Canada incorporated in British Columbia under the laws of the Business Corporation Act (BC, Canada) on October 11, 2011. On April 17, 2019, the Company was continued under the Canadian Business Corporations Act. The Company's head office is located at 1108 – 1238 Seymour Street, Vancouver, BC, V6B 6J3.

The Company's core business is to deliver engaging and interactive content to users through a cloud-based augmented reality platform. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the ticker symbol "IP".

The condensed interim consolidated financial statements of the Company as at and for the nine months ended May 31, 2019 comprise the Company and its subsidiaries (together referred to as the "Company" and individually as "Company entities").

The condensed consolidated interim financial statements have been prepared on the assumption 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. Continued operations of the Company are dependent on the Company's ability to receive financial support, complete additional equity financing, and generate profitable operations in the future. Management believes it will be successful in raising the necessary funding to continue operations however; there is no assurance that these funds will be available on terms acceptable to the Company or at all. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The condensed consolidated interim financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF MEASUREMENT AND PRESENATION

These condensed consolidated interim financial statements, including comparatives, have been prepared using 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 notes presented in these condensed interim consolidated financial statements include only significant events and transactions and do not include all the matters normally disclosed in the Company's audited financial statements and are therefore referred to as condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended August 31, 2018.

The policies applied in these condensed consolidated interim financial statements are presented below and are based on IFRS issued and outstanding as of May 31, 2019. Any subsequent changes to IFRS that are given effect in our annual consolidated financial statements for the year ending August 31, 2019 could result in restatements of these condensed consolidated interim financial statements. None of these standards are expected to have a significant effect on the condensed consolidated interim financial statements.

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for investments, and the derivative liabilities which are classified as available-for-sale or held-for-trading and measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional and presentation currency of the Company and its wholly owned subsidiaries is the Canadian dollar.

(EXPRESSED IN CANADIAN DOLLARS)

2. BASIS OF MEASUREMENT AND PRESENATION (continued)

The consolidated financial statements include the financial information of the Company and its subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership Interest at May 31, 2019	Ownership Interest at August 31, 2018	Principal Activity
1142128 B.C. Ltd.	Canada	100%	100%	Movie production
Imagine AR Inc. (formerly Xenoholographic Inc.)	United States	100%	100%	Virtual reality
Prodigy Films Inc.	Canada	100%	100%	Movie production
Imagination Park Alberta Ltd.	Canada	-	100%	Movie production
3 Seconds Holdings Inc.	Canada	66.67%	66.67%	Movie investment

The condensed interim consolidated financial statements include the financial statements of 1142128 B.C. Ltd. from its date of acquisition on January 24, 2018, Imagination Park Alberta Ltd. from its incorporation on April 9, 2018, Xenoholographic Inc. from the date control was acquired on May 29, 2018, Prodigy Films Inc, from its date of acquisition on December 20, 2017, and 3 Seconds Holdings Inc. from its date of acquisition on February 22, 2018. During the period ended May 31,2019, the Company sold Imagination Park Alberta Ltd.

3. SIGNIFICANT ACCOUNTING POLICIES

New accounting standards and interpretations

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9") introduces new requirements for the classification and measurement of financial instruments. Management adopted this standard in the Company's consolidated financial statements for the period beginning September 1, 2018, and this standard does not have a significant impact on the Company’s existing accounting policies or financial statement presentation.

IFRS 15 Revenue from Contracts with Customers: The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. Management adopted this standard in the Company's consolidated financial statements for the period beginning September 1, 2018, and this standard does not have a significant impact on the Company’s existing accounting policies or financial statement presentation.

Future accounting changes

IFRS 16 Leases: The new standard specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. Applicable to annual periods beginning on or after January 1, 2019. The eventual application of this standard is not expected to have a significant impact on the Company’s existing accounting policies or financial statement presentation.

4. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. 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. Management considers the Company's capital structure to primarily consist of the components of shareholders' equity.

The Company is dependent on external financing to fund its activities. In order to carry out future transactions and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess additions to its media business if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

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 presented. The Company and its subsidiaries are not subject to externally imposed capital requirements.

5. SALE OF SUBSIDARY – IMAGINATION PARK ALBERTA LTD.

Effective December 10, 2018, the Company sold all of the outstanding shares of its subsidiary Imagination Park Alberta Ltd. to a former director of the Company. In consideration, the Company received $6,000, which resulted in a gain of $8,758.

As at the date of the deposition, the following assets and liabilities associated with the disposal were classified as follows:

		Carrying value at December 10, 2018
Asset held for sale:		
Cash	$	58,900
Liabilities held for sale:		
Current liabilities	$	61,658

(EXPRESSED IN CANADIAN DOLLARS)

6. RECEIVABLES

The receivables balance is comprised of the following items:

		May 31, 2019		*August 31, 2018*
Sales tax receivable from the Federal Government	$	93,297	$	137,342
Other		5,526		-
Due from related parties (Note 14)		7,316		9,705
	$	106,139	$	147,047

7. PREPAID EXPENSES

The prepaid expense balance is comprised of the following items:

		May 31, 2019		*August 31, 2018*
Consulting	$	31,652	$	89,877
Professional		-		981
Other		18,330		-
Total	$	49,982	$	90,858

8. RECLAMATION BONDS

The reclamation bonds balance at May 31, 2019 of $5,040 (August 31, 2018 - $5,040) relates to the Company’s previously held mineral properties.

9. ASSET ACQUISITIONS

Asset purchase agreements

i) Prodigy Films Inc.
On December 20, 2017, the Company purchased a 100% interest in a private company, Prodigy Inc. by issuing 71,428 common shares. The fair value of the 71,428 common shares was determined to be $0.62 per common shares, based on the trading price at the date of issuance for consideration of $44,285. The acquisition was determined to be an asset acquisition and the total consideration was allocated to an option for a script. Effective December 20, 2017, the Company included the operations of Prodigy Films Inc. in the consolidated financial statements. During the year ended August 31, 2018, there has been no activity.

During the year ended August 31, 2018 the Company recorded an impairment of $44,285 due to uncertainty around future benefits.

Revenue participation agreements

During the year ended August 31, 2015, the Company signed revenue participation agreements with directors, subsequently amended, to acquire the rights to share potential revenue from upcoming films. The Company issued 3,400,000 shares valued at $510,000 (based on the market price on the date shares were issued) as consideration for the acquisitions. During the year ended August 31, 2016, 1,700,000 shares were cancelled and returned to treasury valued at $255,000. During the year ended August 31, 2017, an additional 1,700,000 shares were cancelled and returned to treasury valued at $255,000 and the Company issued 2,665,000 common shares at $0.10 to Triton Films Inc., a company wholly-owned by Gabriel Napora, former director of Imagination Park, pursuant to the initial exercise of its option under the revenue participation agreement, which was amended during the three months ended November 30, 2016 to acquire the rights to share potential revenue from upcoming films.

3 Seconds Holdings Inc.

During the year ended August 31, 2018, the Company acquired 66.67% of the outstanding share capital of 3 Seconds Holdings Inc. in consideration for a cash payment of $126,659 (US$100,000). The acquisition was determined to be an asset acquisition and the total consideration, including the non-controlling interest, of $189,989 was allocated to a net profit interest in the film "The Informant". Effective February 22, 2018, the Company included the operations of 3 Seconds Holdings Inc. in the consolidated financial statements.

During the year ended August 31, 2017, the Company issued 561,000 common shares at $0.10 to Robinson Media Inc., a company owned by Timothy Marlowe, former director of Imagination Park, pursuant to the acquisition of a 10% net profits interest in a full length documentary 'Food for Thought'.

During the year ended August 31, 2018, $189,989 of net profit interests acquired were expensed due to uncertainty around future benefits.

(EXPRESSED IN CANADIAN DOLLARS)

10. INTANGIBLE ASSETS

	Software platform and application	*Patent portfolio*	*Total Intangible Assets*
Balance August 31, 2017	$ -	$ -	$ -
Mobile software application, cost of acquired assets	6,392,465	-	6,392,465
Additions	250,338	-	250,338
Balance August 31, 2018	6,642,803	-	6,642,803
Additions	27,094	475,000	502,094
Depreciation	(1,102,513)	(1,702)	(1,104,215)
Balance May 31, 2019	$ 5,567,384	$ 473,298	$ 6,040,682

On December 1, 2018, intangible assets, comprising a mobile software platform and applications for augmented reality content, were commercially viable and available for use. The mobile software platform and applications was amortized using the straight-line method over their estimated useful life of 3 years.

In addition, the Company acquired a patent portfolio relating to the augmented reality industry in consideration for $50,000 in cash and 5,000,000 shares valued at $425,000 (Note 12). The patent portfolio was amortized using the straight-line method over a period of 13 years, the expected useful life.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The payables balance is comprised of the following items:

	May 31, 2019	*August 31, 2018*
Trade payables	$ 222,533	$ 505,151
Related parties (Note 13)	18,936	63,027
Accrued liabilities	45,080	27,710
Total	$ 286,549	$ 595,888

During the nine month period ended May 31, 2019, the Company:

i) wrote-off outstanding payable of $66,072 due to the statute of limitations on amounts has lapsed.

ii) settled $32,469 of payables for $14,852, which resulted in a gain of $17,617.

(EXPRESSED IN CANADIAN DOLLARS)

12. CONVERTIBLE PROMISSORY NOTE

The discount on the convertible promissory note is amortized using the effective interest method over the one-year term of the promissory note. The Corporation accretes the carrying value of the convertible debentures each month by recognizing an accretion expense in profit or loss and a credit to convertible promissory note. For the year ended August 31, 2018, $209,750 of accretion expense from the debt discount was recorded by the Company. During the period ended May 31, 2019, the Company recorded $692,857 of accretion expense from the debt discount.

The Company issued 6,915,600 shares valued at $518,670 and settled $2,420,460 of convertible promissory note, which resulted in a gain of $1,901,790 during the period ended May 31, 2019.

The fair value of the derivative liability as at May 31, 2019 was estimated as $Nil (August 31, 2018 - $358,000) using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0% (August 31, 2018 – 0%), expected volatility of 113% (August 31, 2018 – 113%) based on historical volatility, risk free interest rate of 1.66% (August 31, 2018 – 1.66%), share price of $0.08 (August 31, 2018 -$0.22), and an expected life of Nil years (August 31, 2018 - 0.75). The convertible promissory note is shown as a current liability as the debt's maturity date is fewer than 12 months from August 31, 2018.

	Liability	*Derivative Liability*	*Total*
Balance August 31, 2017	$ -	$ -	$ -
Issuance of convertible promissory note	1,445,380	893,000	2,338,380
Accretion	209,750	-	209,750
Revaluation of derivative liability	-	(535,000)	(535,000)
Foreign exchange gain	(6,105)	-	(6,105)
Balance August 31, 2018	1,649,025	358,000	2,007,025
Accretion	692,857	-	692,857
Revaluation of derivative liability	-	(358,000)	(358,000)
Foreign exchange loss	78,578	-	78,578
Issuance of 6,915,600 common shares	(2,420,460)		(2,420,460)
Balance May 31, 2019	$ -	$ -	$ -

(EXPRESSED IN CANADIAN DOLLARS)

13. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

Capital stock

The Company has authorized an unlimited number of common shares without par value.

During the period ended May 31, 2019, the Company:

i) closed a non-brokered private placement financing of 25,075,068 units at a price of $0.12 per unit raising total proceeds of $3,009,008. Each unit comprises of one common share and one common share purchase warrant with each warrant entitling the holder to purchase one additional common share of the Company at a price of $0.25 expiring on November 5, 2021. The Company paid cash finder's fee of $3,696 as share issuance costs .

ii) issued 6,915,600 shares valued at $518,670 and settled $2,420,460 of convertible promissory note, which resulted in a gain of $1,901,790 (Note 12).

iii) issued 5,000,000 shares valued at $425,000 in consideration of a patent portfolio for the augmented reality industry (Note 10).

Share purchase warrants

At May 31, 2019 warrants were outstanding enabling holders to acquire shares as follows:

Expiry Date	Exercise Price ($)	Number of warrants	Remaining contractual life (years)	Currently exercisable
June 22, 2019*	0.35	329,600	0.06	329,600
June 22, 2019*	0.35	3,200	0.06	3,200
September 28, 2019	0.32	30,000	0.33	30,000
November 14, 2019	0.37	93,750	0.46	93,750
January 10, 2020	0.65	450,000	0.61	450,000
March 19, 2020	0.70	1,389,928	0.80	1,389,928
November 14, 2020	0.32	2,500,000	1.46	2,500,000
May 16, 2021	0.25	4,758,571	1.96	4,758,571
August 9, 2021	0.25	3,700,000	2.19	3,700,000
November 5, 2021	0.25	25,075,068	2.44	25,075,068
		38,330,117		38,330,117

* subsequently expired

(EXPRESSED IN CANADIAN DOLLARS)

13. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (continued)

Share purchase warrants (continued)

The following is a summary of the warrant transactions during the period ended May 31, 2019 and the year ended August 31, 2018:

	Nine months ended May 31, 2019		Year ended August 31, 2018	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of the period	13,255,049	$ 0.33	553,840	$ 0.34
Warrants issued -pursuant to private placements	25,239,318	0.25	10,822,249	0.33
Warrants issued -pursuant to broker's warrants	-	-	15,120	0.35
Warrants issued - pursuant to bridge loan (Note 13)	-	-	2,500,000	0.32
Warrants exercised	-	-	(636,160)	0.33
Balance, end of period	38,494,367	$ 0.28	13,255,049	$ 0.33

Broker warrants were valued at $Nil (year ended August 31, 2018 - $8,875), using the Black Scholes option pricing model.

The weighted average issuance date fair value of warrants issued during the period ended May 31, 2019 was $Nil per warrant (year ended August 31, 2018 - $0.25).

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of broker warrants and loan warrants issued in the period ended May 31, 2019 and the year ended August 31, 2018:

	Period ended May 31, 2019	Year ended August 31, 2018
Risk-free interest rate	-	1.44%
Expected life of warrants	-	2.00 years
Expected annualized volatility	-	190%
Expected dividend rate	-	0%
Stock price	-	$0.35
Exercise price	-	$0.32

Stock options

The Company may grant stock options pursuant to a stock option plan. The Board of Directors administers the plan, pursuant to which the Board of Directors may grant from time to time incentive stock options up to an aggregate maximum of 10% of the issued and outstanding shares of the Company to directors, officers, employees, consultants and advisors. The options can be granted for a maximum of five years.

(EXPRESSED IN CANADIAN DOLLARS)

13. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (continued)

Stock options (continued)

As at May 31, 2019, the following incentive stock options were outstanding:

Expiry Date	Exercise price ($)	Number of Options Outstanding	Exercisable
August 13, 2021	0.17	250,000	250,000
August 24, 2021	0.24	212,500	212,500
September 28, 2021	0.14	500,000	500,000
November 16, 2021	0.15	50,000	50,000
February 1, 2022	0.10	100,000	25,000
February 3, 2022	0.05	317,100	317,100
March 25, 2022	0.055	100,000	25,000
April 12, 2022	0.50	40,000	40,000
April 18, 2022	0.31	750,000	750,000
July 4, 2022	0.26	250,000	250,000
November 9, 2022	0.28	325,000	325,000
April 11, 2024	0.60	2,000,000	2,000,000
May 14, 2024	0.90	1,000,000	1,000,000
		5,894,600	5,744,600

The following is a summary of the option transactions during the period ended May 31, 2019 and year ended August 31, 2018:

	Nine months ended May 31, 2019		Year ended August 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the period	6,817,238	$ 0.27	4,375,488	$ 0.25
Options granted	4,585,000	0.49	5,502,650	0.39
Options exercised	-	-	(678,000)	0.21
Options expired/cancelled	(5,507,638)	0.26	(2,382,900)	0.53
Balance, end of the period	5,894,600	$ 0.46	6,817,238	$ 0.27

The weighted average issuance date fair value of stock options granted during the period ended May 31, 2019 was $0.09 per option (August 31, 2018 - $0.55).

(EXPRESSED IN CANADIAN DOLLARS)

13. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (continued)

Stock options (continued)

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted for the period ended May 31, 2019 and year ended August 31, 2018:

	Nine months ended May 31, 2019	Year ended August 31, 2018
Risk-free interest rate	1,73%	1.85%
Expected life of options	4.63 years	3.95 years
Expected annualized volatility	203%	153%
Exercise price	$0.08	$0.39
Expected dividend rate	0%	0%

Share based compensation

During the period ended May 31, 2019, the Company granted the following options:

i) issued 35,000 stock options to a consultant of the Company. The options are valued at $4,143, exercisable at $0.135 per share, expiring on September 28, 2020. The options are vested immediately.

ii) issued 500,000 stock options to a consultant of the Company. The options are valued at $66,108, exercisable at $0.135 per share, expiring September 28, 2021. The options are vested immediately.

iii) issued 100,000 stock options to a director of the Company. The options are valued at $6,962, exercisable at $0.12 per share, expiring on December 12, 2021. The options are vested immediately.

iv) issued 100,000 stock options to a director of the Company. The options are valued at $6,387, exercisable at $0.10 per share, expiring on February 1, 2022. The options are vested in equal tranches on the first, second, third anniversaries of the grant date.

v) issued 50,000 stock options to a consultant of the Company. The options are valued $4,175, exercisable at $0.09 per share, expiring on December 20, 2023. The options vested immediately.

vi) issued 700,000 stock options to a former officer of the Company. The options are valued at $54,988, exercisable at $0.09 per share, expiring on January 9, 2024. The options are vested in equal tranches over a one-year period from the grant date. The options were cancelled due to the resignation with the Company.

vii) issued 100,000 stock options to a consultant of the Company. The options are valued at $4,652, exercisable at $0.055 per share, expiring on March 25, 2022. The options are vested in equal tranches over a one-year period from the grant date.

viii) issued 2,000,000 stock options to directors of the Company. The options are valued $98,130, exercisable at $0.06 per share, expiring on April 11, 2024. The options vested immediately.

ix) issued 1,000,000 stock options to directors of the Company. The options are valued $88,504, exercisable at $0.09 per share, expiring on May 14, 2024. The options vested immediately.

14. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them. During the nine month period ended May 31, 2019, the Company paid or accrued:

i) management and consulting fees of $189,618 (2018 - $198,446), to the CEO of the Company, namely Alen Paul Silverrstieen.

ii) consulting fees of $51,000 (2018 - $136,500) to Triton Films Inc., a corporation owned by a former director and former CEO of the Company, namely Gabriel Napora.

iii) consulting fees of $Nil (2018 - $11,500) to a former director of the Company, namely Tim Marlowe.

iv) consulting fees of $Nil (2018 - $120,750) to a former director of the Company, namely Yas Taalat.

v) consulting fees of $Nil (2018 - $27,000) to a former director of the Company, namely Ben Lu.

vi) director fees of $40,000 (2018 - $Nil) recorded in consulting and management fees to a former director of the Company, namely James Skippen.

vii) professional fees of $4,387 (2018 - $Nil) to the CFO of the Company, namely Leon Ho.

viii) wage and salaries of $69,323 (2018 - $Nil) to the former CFO of the Company, namely Anthony Pizzonia.

As of May 31, 2019, $18,936 (August 31, 2018 - $63,027) remained outstanding to related parties and is included in accounts payable and accrued liabilities.

As of May 31, 2019, the Company was owed $7,316 (August 31, 2018 - $9,705) from a company with former directors in common which is included in receivables.

During the nine month period ended May 31, 2019, the Company issued 4,200,000 stock options (2018 – 1,150,000) to an officer, a former officer, and directors resulting in share-based compensation of $307,731 (2018 - $414,514). The 700,000 options issued to the former officer were cancelled upon his resignation

During the nine month period ended May 31, 2019, the Company issued Nil warrants (2018 – 1,500,000) relating to a loan payable to a director resulting in share-based compensation of $Nil (2018 - $369,192).

15. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes to the Company’s approach to mitigating risk exposures during the period ended May 31, 2019.

<u>Credit risk</u>

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 credit risk is primarily attributable to cash and receivables. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. The receivables that are financial instruments consist of trade receivables. The Company has no significant concentration of credit risk arising from operations.

15. FINANCIAL RISK FACTORS (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure it has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from private placements to meet its working capital requirements, after taking into account existing cash and expected exercise of share purchase warrants and options. Management believes that it will be successful in raising the necessary funds however, given the current market conditions, management believes that the raising of the required funds will take longer than is normal and will be at prices that may be less than desirable. There are no assurances that additional funds will be available on terms acceptable to the Company or at all. As at May 31, 2019, the Company had $286,549 (August 31, 2018 - $595,888) of accounts payable and accrued liabilities which are due on standard trade payable terms not exceeding 90 days and loans payable of $Nil (August 31, 2018 - $425) and a convertible promissory note and derivative liability of $Nil (August 31, 2018 - $2,007,025).

Interest risk

Interest risk consists of two components: to the extent that payments made or received on the Company’s financial instruments are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rates on the Company’s financial instruments the Company is exposed to interest rate fair value risk. The Company has cash balances and no material interest-bearing debt, therefore, interest rate risk is minimal.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company’s functional and presentation currency is the Canadian dollar. Certain expenditures are transacted in foreign currencies. As a result, the Company is exposed to fluctuations in these foreign currencies relative to the Canadian dollar. As at May 31, 2019, the Company has US$46,899 included in cash, US$110,376 included in accounts payable, and a convertible promissory note of US$Nil. Management does not hedge its foreign exchange risk, and does not believe a change in foreign exchange would materially affect the Company at its current stage.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions for the period ended May 31, 2019 consisted of:

i) issued 6,915,600 shares valued at $518,670 and settled $2,420,460 of convertible promissory note.

ii) issued 5,000,000 shares valued at $425,000 in consideration of a patent portfolio for the augmented reality industry.

Significant non-cash investing and financing transactions for the year ended August 31, 2018 consisted of:

i) transferred $116,288 from share-based payment reserve to share capital upon exercise of options;

ii) issued 1,389,928 warrants valued at $125,093 included in private placement unit offering;

iii) transferred $11,944 from warrant reserve to share capital upon exercise of warrants;

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (continued)

iv) issued 15,120 broker warrants valued at $8,875 as share issue costs pursuant to private placement and acquisition of 1142128 B.C Ltd. and Prodigy Films Inc.;

v) issued 71,428 shares valued at $44,285 pursuant to the acquisition of Prodigy Films Inc.;

vi) issued 62,500 shares valued at $56,875 pursuant to the acquisition of 1142128 B.C Ltd.; and

vii) issued 1,828,571 shares valued at $594,286 pursuant to the acquisition of Xenoholographic Inc.

17. SUBSEQUENT EVENT

Subsequent to May 31, 2019, the Company granted 100,000 stock options to a consultant of the Company, exercisable at $0.10 per share, expiring on June 10, 2022. The options are vested in equal tranches over a one-year period from the grant date.