IMAGINATION PARK TECHNOLOGIES INC.

(formerly Imagination Park Entertainment Inc.)

ANNUAL AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR YEARS ENDED AUGUST 31, 2019 AND 2018

(EXPRESSED IN CANADIAN DOLLARS)

Baker Tilly WM LLP
900 – 400 Burrard Street
Vancouver, British Columbia
Canada V6C 3B7
T: +1 604.684.6212
F: +1 604.688.3497

vancouver@bakertilly.ca
www.bakertilly.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Imagination Park Technologies Inc.
(formerly Imagination Park Entertainment Inc.):

Opinion

We have audited the consolidated financial statements of Imagination Park Technologies Inc. (formerly Imagination Park Entertainment Inc.) and its subsidiaries (together the "Company"), which comprise the consolidated statements of financial position as at August 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which describes the conditions indicating that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis filed with the relevant Canadian securities commissions.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Anna C. Moreton.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.

December 30, 2019

IMAGINATION PARK TECHNOLOGIES INC.
(FORMERLY IMAGINATION PARK ENTERTAINMENT INC.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AUGUST 31,

	2019	2018
ASSETS		
Current		
Cash	$ 439,721	$ 324,938
Receivables (Note 6)	26,065	147,047
Prepaid expenses (Note 7)	28,101	90,858
Total current assets	493,887	562,843
Reclamation bonds (Note 8)	5,040	5,040
Intangible assets (Note 11)	6,467,449	6,642,803
Investment in Kindergarten Holdings Inc. (Note 2)	-	12,801
Total assets	$ 6,966,376	$ 7,223,487
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Notes 12 and 15)	$ 476,966	$ 595,888
Loans payable	-	425
Convertible promissory note (Note 13)	-	2,007,025
Total liabilities	476,966	2,603,338
Shareholders' equity		
Capital stock (Note 14)	23,851,616	19,902,634
Reserves (Note 14)	4,561,210	4,280,305
Deficit	(21,923,416)	(19,562,790)
Total shareholders' equity	6,489,410	4,620,149
Total liabilities and shareholders' equity	$ 6,966,376	$ 7,223,487

See accompanying notes to the consolidated financial statements.
Nature and continuance of operations (Note 1)
Subsequent events (Note 19)

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

On behalf of the Board:

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

IMAGINATION PARK TECHNOLOGIES INC.
(FORMERLY IMAGINATION PARK ENTERTAINMENT INC.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED AUGUST 31,

	2019	2018
REVENUE		
Services income	$ 134,617	$ -
Production income	-	416,965
Production expense	-	(510,574)
	134,617	(93,609)
EXPENSES		
Accretion of convertible promissory note (Note 13)	692,857	209,750
Consulting, director and management fees (Note 15)	1,163,114	1,283,755
Depreciation (Note 11)	677,448	-
Foreign exchange loss	90,110	43,966
Interest expense	-	10,000
Financing (Note 15)	-	708,922
Net profits interest acquired (Note 9)	-	189,989
Impairment of option acquired (Note 9)	-	44,285
Office, rent, and miscellaneous	180,214	85,692
Pre-production expenses	8,203	114,000
Professional fees (Note 15)	250,847	246,712
Share-based compensation (Note 14)	280,905	1,671,655
Shareholder communications and promotion	307,063	475,888
Software costs	423,712	-
Transfer agent and filing fees	24,255	40,536
Travel and accommodation	77,972	171,097
Wages and salaries (Note 15)	708,061	-
	(4,884,761)	(5,296,247)
OTHER		
Fair value gain on acquisition of Xenoholographic (Note 10)	-	1,790,306
Gain on revaluation of derivative liability (Note 13)	358,000	535,000
Gain on sale of subsidiary (Notes 2 and 5)	8,758	-
Impairment of subsidiaries (Note 2 and 9)	(19,652)	-
Loss on dissolution of subsidiary (Note 2)	(8,902)	-
Gain on settlement of debt (Notes 12 and 13)	1,919,407	(1,045)
Share of loss in equity accounted investment	-	(38,316)
Reversal of accounts payable (Note 12)	131,907	-
	2,389,518	2,285,945
Net loss and comprehensive loss for the year	$ (2,360,626)	$ (3,103,911)
Net loss and comprehensive loss attributable to:		
Shareholders of Imagination Park Technologies Inc.	(2,360,626)	(3,040,581)
Non-controlling interests	-	(63,330)
	$ (2,360,626)	$ (3,103,911)
Basic and diluted net loss per common share	$ (0.02)	$ (0.05)
Weighted average number of common shares outstanding – basic and diluted	100,113,463	66,129,718

See accompanying notes to the consolidated financial statements.

IMAGINATION PARK TECHNOLOGIES INC.
(FORMERLY IMAGINATION PARK ENTERTAINMENT INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED AUGUST 31,

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss for the year	$ (2,360,626)	$ (3,103,911)
Items not affecting cash:		
Depreciation	677,448	-
Share-based compensation	280,905	1,671,655
Financing	-	708,922
Impairment of option acquired	-	44,285
Net profits interest acquired	-	189,989
Accretion of convertible promissory note	692,857	209,750
Reversal of accounts payable	(131,907)	-
Loss (gain) on settlement of debt	(1,919,407)	1,045
Gain on revaluation of derivative liability	(358,000)	(535,000)
Gain on sale of subsidiary	(8,758)	-
Loss on dissolution of subsidiary	8,902	-
Share of loss in equity accounted investment before the acquisition	-	38,316
Fair value gain on acquisition of Xenoholographic	-	(1,790,306)
Impairment of subsidiaries	19,652	-
Foreign exchange loss (gain)	78,579	(6,105)
Change in non-cash working capital items:		
Decrease (increase) in receivables	113,941	(80,905)
Decrease (increase) in prepaid expenses	62,757	(82,599)
Increase in accounts payable and accrued liabilities	84,127	229,553
Increase in deposit	-	49,500
Decrease in deferred revenue	-	(15,000)
Net cash flows used in operating activities	(2,759,530)	(2,470,811)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	3,009,008	3,715,450
Share issuance costs	(3,696)	(14,700)
Proceeds from option exercises	-	141,855
Proceeds from warrant exercises	-	207,632
Repayment of loans	-	(4,650)
Net cash flows provided by financing activities	3,005,312	4,045,587
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash used for purchase of intangible assets	(77,094)	-
Cash received on acquisition of 1142128 B.C. Ltd.	-	115,126
Investment in Xenoholographic Inc.	-	(1,758,355)
Investment in Kindergarten Holdings Inc.	-	(12,801)
Acquisition of 3 Seconds Holdings Inc.	-	(126,659)
Cash received on acquisition of Xenoholographic Inc.	-	4,450
Cash relinquished on sale of Imagination Park Alberta Ltd.	(52,900)	-
Cash relinquished on dissolution of 1142128 B.C. Ltd.	(1,005)	-
Net cash flows used in investing activities	(130,999)	(1,778,239)
Change in cash	114,783	(203,463)
Cash, beginning of year	324,938	528,401
Cash, end of year	$ 439,721	$ 324,938
Cash paid for taxes during the year	$ -	$ -
Cash paid for interest during the year	$ -	$ 10,000

Supplemental disclosure with respect to cash flows (Note 17)

See accompanying notes to the consolidated financial statements.

IMAGINATION PARK TECHNOLOGIES INC.
(FORMERLY IMAGINATION PARK ENTERTAINMENT INC.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

			Reserves				
	Number of shares	Capital stock	Share-based payment reserve	Warrant reserve	Deficit	Non-controlling Interest	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	11,285,999	3,715,450	-	-	-	-	3,715,450
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)	-	-	-
Fair value of warrant including in unit offering	-	(125,093)	-	125,093	-	-	-
Share issuance costs	-	(9,900)	-	-	-	-	(9,900)
Issuance of shares for settlement of debt	142,380	41,290	-	-	-	-	41,290
Share-based compensation	-	-	1,671,655	-	-	-	1,671,655
Warrants issued pursuant to bridge loan agreement	-	-	-	708,922	-	-	708,922
Non-controlling interest	-	-	-	-	-	63,330	63,330
Net and comprehensive loss for the year	-	-	-	-	(3,040,581)	(63,330)	(3,103,911)
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	-	-	280,905	-	-	-	280,905
Net and comprehensive loss for the year	-	-	-	-	(2,360,626)	-	(2,360,626)
Balance, August 31, 2019	113,372,138	$ 23,851,616	$ 3,392,434	$ 1,168,776	$ (21,923,416)	$ -	$ 6,489,410

1. NATURE AND CONTINUANCE OF OPERATIONS

Imagination Park Technologies 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 #510 – 580 Hornby Street, Vancouver, BC, V6C 3B6.

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 consolidated financial statements of the Company as at, and for the years ended August 31, 2019 and August 31, 2018 comprise the Company and its subsidiaries (together referred to as the "Company" and individually as "Company entities").

The consolidated 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 consolidated 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 PRESENTATION

These consolidated financial statements, including comparatives, approved by the Board of Directors on December 30, 2019 have been prepared using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated statements are based on IFRS issued and outstanding as of August 31, 2019.

These consolidated financial statements have been prepared on a historical cost basis except for investments, and the derivative liabilities which are measured at fair value. In addition, these consolidated 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.

In the preparation of these consolidated financial statements, management is required to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses and revenues during the period. Actual results could differ from these estimates.

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

(EXPRESSED IN CANADIAN DOLLARS)

2. BASIS OF MEASUREMENT AND PRESENTATION (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 August 31, 2019	Ownership Interest at August 31, 2018	Principal Activity
1142128 B.C. Ltd.	Canada	-	100%	Movie production
Imagine AR Inc. (formerly Xenoholographic Inc.)	United States	100%	100%	Virtual reality
Prodigy Films Inc.	Canada	-	100%	Movie production
Imagination Park Alberta Ltd.	Canada	-	100%	Movie production
3 Seconds Holdings Inc.	Canada	-	66.67%	Movie investment

The 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 year ended August 31, 2019, the Company:

i) sold Imagination Park Alberta Ltd. for the proceeds of $6,000, which resulted in a gain of $8,758 (Note 5).

ii) dissolved 1142128 B.C. Ltd. due to inactivity which resulted in a loss of $8,902 during the year ended August 31, 2019.

iii) dissolved Prodigy Films Inc. due to inactivity which resulted in a loss of $Nil during the year ended August 31, 2019.

iv) impaired 3 Seconds Holdings Inc. due uncertainty around future benefits which resulted in a gain of $465 during the year ended August 31, 2019.

v) impaired investment in Kindergarten Holding. due uncertainty around future benefits which resulted in a loss of $20,117 during the year ended August 31, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to the years presented in these consolidated financial statements, unless otherwise stated.

Subsidiaries
Subsidiaries are entities over which the Company has control. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Joint Venture
A joint venture is a joint arrangement whereby the joint venture participants are bound by contractual agreements establishing joint control. Joint control exists when decisions about the activities that significantly affect the returns of the investee require unanimous consent. A joint arrangement may be a joint operation or a joint venture. A joint arrangement is classified as a joint venture when the investor has rights to the net assets of the joint arrangement. A joint operation is a joint arrangement whereby the investor has rights and obligations to the separate assets and liabilities of the investee, respectively. The Company does not hold interests in joint operations.

The Company accounted for its investments a joint venture using the equity method. Under the equity method, the Company's investment in the joint venture was initially recognized at fair value and subsequently increased or decreased to recognize the Company's share of net earnings and losses of joint venture, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the associate or joint venture's reserves, and for impairment losses after the initial recognition date. The total carrying amount of the Company's investment in its joint venture also includes any long-term debt interests which in substance form part of the Company's net investment. The Company's share of the joint venture's losses that are in excess of its investment are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. The Company's share of earnings and losses of the joint venture are recognized in profit or loss during the period. Dividends and repayment of capital received from a joint venture are accounted for as a reduction in the carrying amount of the Company's investment.

Cash
Cash consists of balances with banks and short-term demand deposits which are readily convertible into a known amount of cash. The Company's cash is invested with major financial institutions in business accounts.

Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, the fee is fixed or determinable, and collectability is reasonably assured.

Services income is recognized when the services have been provided and control of the deliverable has been transferred to the customer. Revenue collected prior to it being earned is recorded as deferred revenue and recognized as the related services are provided. We noted that management estimates the pace of revenue recognition based on contract milestones and determination of when it considers the revenue to be earned. Company's arrangements with customers are evidenced by contracts with customers and/or purchase orders.

Subscription income is recognized straight-line over the term of the contracts.

Revenue from production services is recognized on a percentage-of-completion basis. Percentage-of-completion is based upon the proportion of costs incurred in the current period to total expected costs. A provision is made for the entire amount of future estimated losses, if any, on productions-in-progress.

Financial instruments
The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Financial assets at FVTOCI
Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost
Financial assets at amortized cost are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method.. The ‘effective interest rate’ is the rate that discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets. They are classified as current assets or non-current assets based on their maturity date.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in profit or loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Business Combination

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the fair value of consideration transferred over the fair value of identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses and is not subject to amortization. Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. Goodwill is allocated to a cash generating unit (“CGU”), or group of CGUs, which is the lowest level within an entity at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment. Impairment is tested by comparing the recoverable amount of goodwill assigned to a CGU or group of CGUs to its carrying value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Identifiable intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is valued at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss.

Impairment of financial assets

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets.

IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods, if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Impairment of non-financial assets

At each statement of financial position date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the recoverable amount is less than the carrying amount of the asset, the carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Foreign currency translation

The Canadian dollar is the functional and reporting currency of the Company. All foreign currency monetary assets and liabilities are translated at the rate of exchange at the statement of financial position date and non-monetary assets and liabilities are translated at historical exchange rates, unless such items are measured at fair value, in which case they are translated using the exchange rates at the date when the fair value was measured. Income and expenses are translated at the rates approximating those at the transaction dates. Gains and losses arising from translation of foreign currency monetary assets and liabilities are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions as at August 31, 2019 and 2018.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first attributes value to the shares based on their quoted trading price at issuance, and the residual amount, if any, is attributed to the value of the warrants. Any fair value attributed to the warrants is recorded within the warrant reserve.

Share-based payment transactions

In situations where equity instruments are issued to non-employees and the fair value of some or all of the goods or services received by the entity as consideration cannot be reliably estimated, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

The fair value of stock options granted to employees is recognized as an expense over the vesting period with a corresponding increase in the equity settled share-based payments reserve account. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Share consideration

Other equity instruments issued as purchase consideration in non-cash transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration is based upon the trading price of those shares on the CSE on the date of grant to issue shares as determined by the Board of Directors.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes
Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and to the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it is not recognized.

Loss per share
The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period. The “treasury stock method” is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the period. During the years ended August 31, 2019 and 2018, the outstanding stock options and warrants were anti-dilutive.

Estimates and judgments
The preparation of these consolidated financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

i) Carrying values for assets and impairment charges
In the determination of carrying values and impairment charges, management looks at the higher of value in use or fair value less costs to sell in the case of non-financial assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

ii) Business combinations
The purchase price allocation process requires management to use significant estimates and assumptions, including fair value estimates including, but not limited to:

estimated fair values of tangible assets and liabilities;
estimated fair values of intangible assets;
estimated income tax assets and liabilities; and
estimated fair value of pre-acquisition contingencies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates and judgments (continued)

While management uses its best estimates and assumptions as a part of the purchase price allocation process to accurately value the assets acquired and liabilities assumed at the business combination date, estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the measurement period, which is the earlier of the date management receives the information necessary to identify and measure assets acquired, liabilities assumed, and consideration transferred or one year from the acquisition date, it is reasonably possible that adjustments will be recorded to the assets acquired and liabilities assumed, with the corresponding offset to goodwill.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

iii) Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes judgements related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

iv) Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

v) Acquisitions

Management uses judgment in determining if an acquisition is a business combination or an asset acquisition.

(EXPRESSED IN CANADIAN DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. This standard replaces the guidance in IAS 39: Financial Instruments: Recognition and Measurements ("IAS 39"). recognition. Management adopted this standard and retrospectively applied in the Company's consolidated financial statements for the period beginning September 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

The Company completed an assessment of its financial assets and liabilities as at September 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial Assets and Liabilities	Original classification (measurement) IAS 39	New classification and measurement IFRS 9
Cash	Fair value through profit and loss (FVTPL)	Fair value through profit and loss
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Loans payable	Other financial liabilities (amortized cost)	Amortized cost

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 and retrospectively applied in the Company's consolidated financial statements for the period beginning September 1, 2018, and this standard did 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.

(EXPRESSED IN CANADIAN DOLLARS)

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 disposition, the 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

6. RECEIVABLES

The receivables balance is comprised of the following items:

		August 31, 2019		*August 31, 2018*
Sales tax receivable from the Federal Government	$	2,497	$	137,342
Trade receivables		23,568		-
Due from related parties (Note 15)		-		9,705
	$	26,065	$	147,047

(EXPRESSED IN CANADIAN DOLLARS)

7. PREPAID EXPENSES

The prepaid expense balance is comprised of the following items:

		August 31, 2019		*August 31, 2018*
Consulting	$	13,910	$	89,877
Professional		-		981
Other		14,191		-
Total	$	28,101	$	90,858

8. RECLAMATION BONDS

The reclamation bonds balance at August 31, 2019 of $5,040 (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, the Company recorded an impairment of $44,285 due to uncertainty around future benefits.

During the year ended August 31, 2019, Prodigy Films Inc. was dissolved due to inactivity which resulted in a loss of $Nil.

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 began including the operations of 3 Seconds Holdings Inc. in the consolidated financial statements.

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

During the year ended August 31, 2019, 3 Seconds Holding Inc. recorded an impairment of $465 due to inactivity and uncertainty around future benefits.

(EXPRESSED IN CANADIAN DOLLARS)

10. XENOHOLOGRAPHIC INC. ACQUISITION

During the year ended August 31, 2017, the Company executed a binding letter of intent ("LOI") with InterKnowlogy, LLC ("InterKnowlogy") in connection with the establishment of a joint venture company "Xenoholographic Inc. ("Xeno") where, pursuant to the terms, ownership will be divided on a 50/50 basis between Imagination Park and InterKnowlogy. Under the LOI the Company was to contribute seed funds of US$500,000 and InterKnowlogy contributed the "Technology" as defined in the LOI. Additional investment was to be made on an equal basis.

During the year ended August 31, 2017, the Company contributed $149,056 (US$120,000) and granted 240,000 options with a value of $56,760 to Interknowlogy. During the year ended August 31, 2017, the Company recorded its share of the loss of Xeno of $2,024. There are no contingent liabilities relating to the Company's interest in the joint venture, and no contingent liabilities of the venture itself.

During the year ended August 31, 2018, the Company contributed a further $1,236,145 (US$979,000) to complete the acquisition of 50% of Xeno and fund further activity, up to the date of the step acquisition the Company recorded its share of the loss of Xeno of $38,316.

On May 29, 2018, the Company acquired all the remaining issued and outstanding shares of Xeno for the following consideration:

i. Cash of US$200,000 (CAD $259,262 paid) on signing of the agreement;
ii. Issue of 1,828,571 common shares of the Company, with a fair value of $594,286; and
iii. Convertible promissory note of US$1,800,000 (CAD$2,338,380) (Note 13) with the following terms:
    a) payment of US$1,800,000 on or before May 29, 2019;
    b) if after May 29, 2019 there remains any unpaid portion of the promissory note, at the option of the Company, the Company can satisfy part or all of the unpaid purchase price through the issuance of common shares of the Company valued at $0.35 per share; or
    c) at anytime the lender may request that the promissory note be satisfied with common shares of the Company valued at US$1.00 per share.

The acquisition of Xeno has been accounted for under IFRS 3 – Business Combinations using the step acquisition method, with the Company being identified as the acquirer. The step acquisition resulted in a fair value gain of $1,790,306.

The following table summarizes the fair value of consideration paid on the acquisition date and the allocation of the purchase price to the assets and liabilities acquired.

Net assets acquired	
Cash	$ 4,450
Software platform and application	1,500,000
Goodwill	4,892,465
Accounts payable	(13,059)
	$ 6,383,856
Total Purchase Price:	
Cash US$200,000	$ 259,262
Issuance of 1,828,571 shares	594,286
Convertible promissory note US$1,800,000	2,338,380
Fair value of original 50% interest	3,191,928
	$ 6,383,856

(EXPRESSED IN CANADIAN DOLLARS)

11. INTANGIBLE ASSETS

	Software platform and application	*Goodwill*	*Patent portfolio*	*Total Intangible Assets*
Balance August 31, 2018	$ -	$ -	$ -	$ -
Mobile software application, cost of acquired assets	1,500,000	4,892,465	-	6,392,465
Additions	250,338	-	-	250,338
Balance August 31, 2018	1,750,338	4,892,465	-	6,642,803
Additions	27,094	-	475,000	502,094
Depreciation	(666,537)	-	(10,911)	(677,448)
Balance August 31, 2018	$ 1,110,895	$ 4,892,465	$ 464,089	$ 6,467,449

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 are being depreciated using the straight-line method over their estimated useful life of 2 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 14). The patent portfolio is being depreciated using the straight-line method over a period of 13 years, its expected useful life.

The Company performs a goodwill impairment test annually on August 31 and whenever there is an indication of impairment. No impairment of goodwill was identified as a result of the Company's most recent annual impairment test.

The recoverable amount is measured as its value in use, estimated using discounted cash flows. Management's past experience and future expectations of the business' performance are used to make a best estimate of the expected revenues, earnings before interest, taxes, depreciation and amortization, and operating cash flows covering a three year forecast period, and a terminal value using an exit multiple which assumes a potential sale of the company.

The key assumptions used in performing the impairment test are as follows:

Discount rate:

Management applied a discount rate of 20% in calculating the recoverable amount. This is a pre-tax rate which reflects the time value of money and risk associated with the business. Management has determined its discount rate to reflect the risk of an emerging technology company.

Revenue probability weighting:

Management applied a probability weighting to the expected forecast revenues which reflects the risk of success or failure. Management has determined the probability weighting based on market research.

(EXPRESSED IN CANADIAN DOLLARS)

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The payables balance is comprised of the following items:

		August 31, 2019		*August 31, 2018*
Trade payables	$	253,910	$	505,151
Related parties (Note 15)		163,346		63,027
Accrued liabilities		59,710		27,710
Total	$	476,966	$	595,888

During the year ended August 31, 2019, the Company:

i) reversed outstanding payables of $131,907 due to the statute of limitations on amounts having lapsed.

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

13. 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 promissory notes 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 year ended August 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 on the date of share issuance and settled $2,420,460 of convertible promissory notes, which resulted in a gain of $1,901,790 during the year ended August 31, 2019.

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

(EXPRESSED IN CANADIAN DOLLARS)

14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

Capital stock

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

During the year ended August 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 residual value of $Nil was allocated to the common share purchase warrant on the units The Company paid cash finder’s fees of $3,696 as share issuance costs.

ii) issued 6,915,600 shares valued at $518,670 on the date of share issuance and settled $2,420,460 worth of convertible promissory notes, which resulted in a gain of $1,901,790 (Note 13).

iii) issued 5,000,000 shares valued at $425,000 on the date of share issuance as consideration of a patent portfolio for the augmented reality industry (Note 11).

Share purchase warrants

At August 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
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
		37,997,317		37,997,317

* expired subsequent to the year ended August 31, 2019

(EXPRESSED IN CANADIAN DOLLARS)

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

Share purchase warrants (continued)

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

	Year ended August 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 year	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	-		-	2,500,000		0.32
Warrants exercised	-		-	(636,160)		0.33
Warrants expired/cancelled	(497,050)		-	-		-
Balance, end of year	37,997,317	$	0.28	13,255,049	$	0.33

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

The weighted average issuance date fair value of warrants exercised during the year ended August 31, 2019 was $Nil per warrant (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 year ended August 31, 2019 and 2018:

	Year ended August 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)

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

Stock options (continued)

As at August 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	0.135	500,000	500,000
November 16, 2021	0.15	50,000	50,000
February 1, 2022	0.10	100,000	75,000
February 3, 2022	0.05	317,100	317,100
March 25, 2022	0.055	100,000	50,000
April 12, 2022	0.50	40,000	40,000
April 18, 2022	0.31	750,000	750,000
June 10, 2022	0.10	100,000	50,000
July 4, 2022	0.26	250,000	250,000
November 9, 2022	0.275	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
		5,994,600	5,869,600

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

	Year ended August 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 year	6,817,238	$ 0.27	4,375,488	$ 0.25
Options granted	4,685,000	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 year	5,994,600	$ 0.46	6,817,238	$ 0.27

The weighted average issuance date fair value of stock options exercised during the year ended August 31, 2019 was $0.07 per option (August 31, 2018 - $0.55).

(EXPRESSED IN CANADIAN DOLLARS)

14. 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 years ended August 31, 2019 and 2018:

	Year ended August 31, 2019	Year ended August 31, 2018
Risk-free interest rate	1.72%	1.85%
Expected life of options	4.60 years	3.95 years
Expected annualized volatility	201%	153%
Exercise price	$0.08	$0.39
Expected dividend rate	0%	0%

Share based compensation

During the year ended August 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 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 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 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 vest 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 vest in equal tranches over a one-year period from the grant date. The options were cancelled on the resignation of the officer.

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 vest 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.

x) issued 100,000 stock options to a consultant of the Company. The options are valued $3,917, exercisable at $0.10 per share, expiring on June 10, 2022. The options vest in equal tranches over a one-year period from the grant date.

14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Share based compensation (Continued)

During the year ended August 31, 2018, the Company granted the following options:

i) issued 100,000 stock options to a consultant of the Company. The options are exercisable at $0.255 per share for a period of two years from the date of grant. The options vest over 3 years, 25% at grant date and 25% annually thereafter.

ii) issued 100,000 stock options to an officer of the Company. The options are exercisable at $0.255 per share for a period of five years from the date of grant. The options vested immediately.

iii) issued 1,185,000 stock options to officers, directors and consultants of the Company. The options are exercisable at $0.275 per share for a period of five years from the date of grant. The options vested immediately.

iv) issued 5,000 stock options to a consultant of the Company. The options are exercisable at $0.46 per share for a period of three years from the date of grant. The options vested immediately.

v) issued 50,000 stock options to consultants of the Company. The options are exercisable at $0.60 per share for a period of five years from the date of grant. The options vest over 3 years, 25% at grant date and 25% annually thereafter.

vi) issued 250,000 stock options to a consultant of the Company. The options are exercisable at $0.70 per share for a period of five years from the date of grant. The options vested immediately.

vii) issued 20,000 stock options to a consultant of the Company. The options are exercisable at $0.69 per share for a period of five years from the date of grant. The options vest over 3 years, 25% at grant date and 25% annually thereafter.

viii) issued 5,000 stock options to a consultant of the Company. The options are exercisable at $0.65 per share for a period of five years from the date of grant. The options vested immediately.

ix) issued 85,400 stock options to consultants of the Company. The options are exercisable at $0.65 per share for a period of two years from the date of grant. The options vested immediately.

x) issued 175,000 stock options to consultants of the Company. The options are exercisable at $0.97 per share for a period of two years from the date of grant. The options vested immediately.

xi) issued 100,000 stock options to a director and a consultant of the Company. The options are exercisable at $0.97 per share for a period of five years from the date of grant. The options vested immediately.

xii) issued 375,000 stock options to a director and consultants of the Company. The options are exercisable at $0.95 per share for a period of two years from the date of grant. The options vest over 14 months, 67% at grant date and 33% after 14 months from the date of grant.

xiii) issued 10,000 stock options to a consultant of the Company. The options are exercisable at $0.85 per share for a period of two years from the date of grant. The options vested immediately.

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

Share based compensation (continued)

xiv) issued 75,000 stock options to a consultant of the Company. The options are exercisable at $0.72 per share for a period of five years from the date of grant. The options vested immediately.

xv) issued 100,000 stock options to a consultant of the Company. The options are exercisable at $0.72 per share for a period of three years from the date of grant. The options vest two years after the date of grant.

xvi) issued 50,000 stock options to a consultant of the Company. The options are exercisable at $0.78 per share for a period of two years from the date of grant. The options vested immediately.

xvii) issued 25,000 stock options to a consultant of the Company. The options are exercisable at $0.78 per share for a period of two years from the date of grant. The options vested immediately.

xviii) issued 140,000 stock options to a consultant of the Company. The options are exercisable at $0.61 per share for a period of two years from the date of grant. The options vested immediately.

xix) issued 40,000 stock options to a consultant of the Company. The options are exercisable at $0.50 per share for a period of two years from the date of grant. The options vested immediately.

xx) issued 100,000 stock options to a consultant of the Company. The options are exercisable at $0.45 per share for a period of two years from the date of grant. The options vested immediately.

xxi) issued 50,000 stock options to a consultant of the Company. The options are exercisable at $0.34 per share for a period of two years from the date of grant. The options vested immediately.

xxii) issued 1,400,000 stock options to a consultant of the Company. The options are exercisable at $0.20 per share for a period of two years from the date of grant. The options vested immediately.

xxiii) issued 250,000 stock options to a consultant of the Company. The options are exercisable at $0.17 per share for a period of two years from the date of grant. The options vest over 9 months, 25% at grant date, and 25% after three months thereafter.

xxiv) issued 562,250 stock options to a consultant of the Company. The options are exercisable at $0.24 per share for a period of two years from the date of grant. The options vest over 9 months, 25% at grant date, and 25% after three months thereafter.

xxv) issued 250,000 stock options to a consultant of the Company. The options are exercisable at $0.24 per share for a period of two years from the date of grant. The options vest over 1 year, 25% after three months thereafter.

(EXPRESSED IN CANADIAN DOLLARS)

15. RELATED PARTY TRANSACTIONS

Amounts paid or accrued to related parties are as follows:

	For the year ended August 31, 2019	2018
Consulting, director, and management fees	$ 543,386	$ 740,173
Financing expense	-	708,922
Share-based compensation	307,731	708,729
Wage and salaries	69,323	-
Total	$ 920,440	$ 2,157,824

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

i) management and consulting fees of $261,999 (2018 - $257,590), to the CEO of the Company, namely Alen Paul Silverrstieen.

ii) consulting fees of $51,000 (2018 - $175,500) 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 - $155,250) to a former director of the Company, namely Yas Taalat.

v) consulting fees of $Nil (2018 - $44,500) to a former director of the Company, namely Ben Lu.

vi) director fees of $120,000 (2018 - $62,500) recorded in consulting and management fees to a former director of the Company, namely James Skippen.

vii) director fees of $100,000 (2018 - $33,333) recorded in consulting and management fees to a former director of the Company, namely John Gillberry.

viii) consulting fees of $10,387 (2018 - $Nil) to the CFO of the Company, namely Leon Ho.

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

As of August 31, 2019, $163,346 (August 31, 2018 - $63,027) remained outstanding to related parties and is included in accounts payable and accrued liabilities.

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

During the year ended August 31, 2019, the Company issued 4,200,000 stock options (2018 – 2,650,000) to an officer, a former officer, and directors resulting in share-based compensation of $307,731 (2018 - $708,729). The 2,300,000 options issued to the former officers were cancelled upon their resignation.

During the year ended August 31, 2019, the Company issued Nil warrants (2018 – 2,500,000) relating to a loan payable to a director resulting in financing expense of $Nil (2018 - $708,922).

(EXPRESSED IN CANADIAN DOLLARS)

16. 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 year ended August 31, 2019.

Fair value

The Company estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value because of the near maturity of those instruments.

Financial statements measured at fair value on the statements of financial position are summarized in levels of fair value hierarchy as either "Level 1" Unadjusted quoted prices in active markets for identical assets or liabilities; "Level 2" Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and, "Level 3" Inputs that are not based on observable market data.

Financial instruments measured at fair value on the statements of financial position are summarized in levels of fair value hierarchy as follows:

	August 31, 2019			August 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Asset						
Cash	$ 439,721	$ -	$ -	$ 324,938	$ -	$ -

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 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.

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 August 31, 2019, the Company had $476,966 (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 (2018 - $425) and a convertible promissory note of $Nil (2018 - $2,007,025).

16. FINANCIAL RISK FACTORS (continued)

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 August 31, 2019, the Company has US$21,501 included in cash, US$106,235 included in accounts payable, and a convertible promissory note of US$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.

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

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

ii) issued 5,000,000 shares valued at $425,000 in consideration of a patent portfolio.

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;

iv) issued 15,120 broker warrants valued at $8,875 as share issue costs

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 Imagine AR Inc. (formerly Xenoholographic Inc.)

(EXPRESSED IN CANADIAN DOLLARS)

18. INCOME TAX

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

		2019		**2018**
Loss for the year	$	(2,360,626)	$	(3,103,911)
Expected income tax (recovery) – 27% (2018 – 26.7%)	$	(691,000)	$	(830,000)
Change in statutory, foreign tax, foreign exchange rates and other		180,000		50,000
Non-deductible expenses		264,000		635,000
Non-taxable gains		(97,000)		(616,000)
Share issue costs		(1,000)		(15,000)
Impact of dissolved subsidiary		-		558,000
Impact of acquisition of Xenoholographic Inc.		-		581,000
Adjustment to prior years provision		2,000		741,000
Change in unrecognized deductible temporary differences		343,000		(1,104,000)
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

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

		2019		**2018**
Deferred Tax Assets (liabilities)				
Exploration and evaluation assets	$	232,000	$	229,000
Share issue costs		16,000		24,000
Intangible assets		103,000		153,000
Investment in Xenoholographic Inc.		(228,000)		(463,000)
Convertible promissory note and derivative liability		-		(88,000)
Allowable capital losses		5,000		5,000
Non-capital losses available for future periods		2,339,000		2,330,000
		2,467,000		2,190,000
Unrecognized deferred tax assets		(2,467,000)		(2,190,000)
Net deferred tax assets	**$**	**-**	**$**	**-**

(EXPRESSED IN CANADIAN DOLLARS)

18. INCOME TAX (continued)

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

		2019	Expiry Date Range		2018	Expiry Date Range
Temporary Differences						
Exploration and evaluation assets	$	856,000	No expiry date	$	856,000	No expiry date
Investment tax credit		1,000	2032		1,000	2032
Share issue costs		61,000	2019 to 2023		90,000	2019 to 2022
Investment in Xenoholographic		(862,000)	No expiry date		(1,737,000)	No expiry date
Convertible promissory note		-	No expiry date		(331,000)	No expiry date
Intangible assets		382,000	No expiry date		572,000	No expiry date
Allowable capital losses		19,000	No expiry date		19,000	No expiry date
Non-capital losses available for future periods		8,661,000	2032 to 2039		8,726,000	2032 to 2038

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

19. SUBSEQUENT EVENTS

Subsequent to August 31, 2019, the Company:

i) granted 500,000 stock options to an officer and consultants of the Company, exercisable at $0.05 per share, expiring on September 12, 2022. Half of the options are vested immediately and half of the options are vested on first anniversary.

ii) granted 2,000,000 stock options to a director of the Company, exercisable at $0.05 per share, expiring on October 9, 2022. The options vested immediately.

iii) granted 2,000,000 stock options to a consultant of the Company, exercisable at $0.05 per share, expiring on September 12, 2022. The options are vested immediately. The options were subsequently cancelled.