IMAGINEAR INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MAY 31, 2021 AND 2020

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED – PREPARED BY MANAGEMENT)

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.

IMAGINEAR INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)

	May 31, 2021	August 31, 2020
ASSETS		
Current		
Cash	$ 5,297,935	$ 4,659,437
Receivables (Note 5)	101,608	31,298
Prepaid expenses (Note 6)	84,803	117,246
Total current assets	5,484,346	4,807,981
Reclamation bonds (Note 7)	5,040	5,040
Right of use asset (Note 11)	11,416	17,999
Total assets	$ 5,500,802	$ 4,831,020
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Notes 9 and 15)	$ 424,390	$ 485,448
Deferred revenue (Note 10)	124,513	58,923
Subscriptions received in advance	13,032	23,032
Lease liabilities (Note 11)	11,565	19,350
Total current liabilities	573,500	586,753
Loan payable (Note 12)	40,000	40,000
Convertible debentures – liability component (Note 13)	-	79,224
Total liabilities	613,500	705,977
Shareholders' equity		
Capital stock (Note 14)	34,337,670	30,874,904
Reserves (Note 14)	6,878,290	4,556,697
Convertible debentures – equity component (Note 13)	-	10,489
Deficit	(36,328,658)	(31,317,047)
Total shareholders' equity	4,887,302	4,125,043
Total liabilities and shareholders' equity	$ 5,500,802	$ 4,831,020

See accompanying notes to the consolidated financial statements.
Nature and continuance of operations (Note 1)
Subsequent events (Note 18)

IMAGINEAR INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)

	Three Months Ended		Nine Months Ended	
	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
REVENUE				
Services and licencing income	$ 99,260	$ 7,392	$ 264,229	$ 54,569
EXPENSES				
Accretion of convertible debentures (Note 13)	250	-	1,260	-
Consulting, director and management fees (Note 15)	296,311	248,987	618,634	865,021
Depreciation (Note 8 and 11)	5,537	454,685	19,037	692,649
Foreign exchange loss (gain)	211	1,909	38,019	(47,363)
Interest expense (Note 11)	116	80,176	3,122	80,176
Office, rent, and miscellaneous	62,453	42,887	165,520	124,847
Professional fees	106,375	34,738	206,128	127,196
Share-based compensation (Notes 14 and 15)	1,053,733	55,270	2,425,341	383,179
Shareholder communications and promotion (Note 15)	352,334	96,477	682,020	233,957
Software costs	483,474	142,611	1,025,025	443,216
Transfer agent and filing fees	9,211	5,138	17,696	12,436
Travel and accommodation	5,231	382	6,878	3,785
Wages and salaries	24,518	13,620	81,207	67,105
	(2,399,754)	(1,176,880)	(5,289,887)	(2,986,204)
OTHER				
Gain on settlement of debt	-	2,712	-	2,712
Forgiveness of debt (Note 11)	14,047	-	14,047	-
	14,047	2,712	14,047	2,712
Net loss and comprehensive loss for the period	$ (2,286,447)	$ (1,166,776)	$ (5,011,611)	$ (2,928,923)
Basic and diluted net loss per common share	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.03)
Weighted average number of common shares outstanding – basic and diluted	199,945,272	116,607,567	192,349,415	114,884,634

See accompanying notes to the condensed interim consolidated financial statements.

IMAGINEAR INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)

	For the nine months ended May 31, 2021	May 31, 2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss for the period	$ (5,011,611)	$ (2,928,923)
Items not affecting cash:		
Depreciation	19,037	692,649
Share-based compensation	2,425,341	383,179
Accretion interest on convertible debentures	3,122	80,176
Accretion interest on right-of-use asset	1,260	-
Forgiveness of rent	(14,047)	-
Shares for services	335,000	-
Change in non-cash working capital items:		
Increase in receivables	(70,310)	(83,692)
Increase in prepaid expenses	32,443	39,874
Increase (decrease) in accounts payable and accrued liabilities	(61,058)	149,537
Net cash flows used in operating activities	(2,340,823)	(1,667,200)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from options exercised	91,550	50,000
Proceeds from warrants exercised	2,829,633	-
Loan received	-	40,000
Deferred revenue	65,590	-
Proceeds from convertible debentures, net of issuance costs	-	1,469,782
Net cash flows provided by financing activities	2,986,773	1,559,782
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment toward lease liabilities	(7,452)	-
Net cash flows used in investing activities	(7,452)	-
Change in cash	638,498	(107,418)
Cash, beginning of period	4,659,437	439,721
Cash, end of period	$ 5,297,935	$ 323,303
Cash paid for taxes during the period	$ -	$ -
Cash paid for interest during the period	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 17)

See accompanying notes to the condensed interim consolidated financial statements.

IMAGINEAR INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)

			Reserves				
	Number of shares	Capital stock	Share-based payment reserve	Warrant reserve	Convertible debentures – equity component	Deficit	Total
Balance, August 31, 2019	113,372,138	$ 23,851,616	$ 3,392,434	$ 1,168,776	$ -	$ (21,923,416)	$ 6,489,410
Share-based compensation	-	-	383,179	-	-	-	383,179
Issued pursuant to services	3,180,800	156,328	-	57,484	-		213,812
Issued pursuant to options exercised	1,000,000	81,912	(31,912)	-	-		50,000
Convertible debentures	-	-	-	11,231	187,991	-	199,222
Net and comprehensive loss for the period	-	-	-	-	-	(2,928,923)	(2,928,923)
Balance, May 31, 2020	117,552,938	$ 24,089,856	$ 3,743,701	$ 1,237,491	$ 187,991	$ (24,852,339)	$ 4,406,700
Balance, August 31, 2020	185,684,468	$ 30,874,904	$ 3,613,654	$ 943,043	$ 10,489	$ (31,317,047)	$ 4,125,043
Issued pursuant to options exercised	1,515,000	184,904	(83,354)	-	-	-	101,550
Issued pursuant to warrants exercised	13,233,471	2,850,027	-	(20,394)	-	-	2,829,633
Convertible debentures converted	1,762,843	92,835	-	-	(10,489)	-	82,346
Shares for services	1,000,000	335,000	-	-	-	-	335,000
Share-based compensation	-	-	2,425,341	-	-	-	2,425,341
Net and comprehensive loss for the period	-	-	-	-	-	(5,011,611)	(5,011,611)
Balance, May 31, 2021	203,195,782	$ 34,337,670	$ 5,955,641	$ 922,649	$ -	$ (36,328,658)	$ 4,887,302

See accompanying notes to the condensed interim consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

ImagineAR 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 condensed interim consolidated financial statements of the Company as at, and for the nine months ended May 31, 2021 and 2020 comprise the Company and its subsidiaries (together referred to as the "Company" and individually as "Company entities").

The condensed interim 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

These events and conditions create a material uncertainty that 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 condensed interim consolidated financial statements, including comparatives, approved by the Board of Directors on July 28, 2021 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 policies applied in these consolidated statements are based on IFRS issued and outstanding as of May 31, 2021. Any subsequent changes to IFRS that are given effect in our annual consolidated financial statements for the year ending August 31, 2021 could result in restatements of these condensed interim consolidated financial statements. None of these standards are expected to have a significant effect on the condensed interim consolidated financial statements

2. BASIS OF MEASUREMENT AND PRESENTATION (continued)

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value. In addition, these condensed interim 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.

These condensed interim 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.

Basis of consolidation

These condensed interim consolidated financial statements include the financial statements of the Company and the Company's wholly owned subsidiary, which is 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.

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

Name of Subsidiary	Country of Incorporation	Ownership Interest at May 31, 2021	Ownership Interest at August 31, 2020	Principal Activity
Imagine AR Inc.	United States	100%	100%	Virtual reality
3 Seconds Holdings Inc.	Canada	66.67%	66.67%	Movie production

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all periods presented in these condensed interim consolidated financial statements, unless otherwise stated.

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. Management estimates the pace of revenue recognition based on contract milestones and determination of when it considers the revenue to be earned. The Company's arrangements with customers are evidenced by contracts with customers and/or purchase orders.

Subscription and licensing income are recognized straight-line over the term of the contracts.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectation of recovering the contractual cash flows on a financial asset.

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories. Those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); or those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

The classification and measurement bases of the Company's financial instruments are as follows:

Financial Assets and Liabilities	Classification and measurement IFRS 9
Cash	Fair value through profit and loss
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Subscriptions received in advance	Amortized cost
Loan payable	Amortized cost
Convertible debentures – liability component	Amortized cost

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost of FVOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification

The Company's financial assets consists of cash, which is classified and measured at FVTPL and receivables which are measured at amortized cost using the effective interest method. The Company's financial liabilities consist of accounts payable and accrued liabilities and loan payable, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in profit or loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportable forward-looking information.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss 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

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.

Intangible assets with indefinite life are measured at cost less any accumulated impairment losses. These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired as described below.

Impairment of non-financial assets

At each consolidated 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.

Convertible debentures

The host debt liability, equity conversion feature and other (when applicable) components of convertible debentures are presented separately on the consolidated statement of financial position, starting from initial recognition. The Company determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows. The liability component is then increased by accretion of the discounted amounts to reach the face value of the convertible notes at maturity which is recorded in profit or loss as accretion expense.

The carrying amount of other components (when applicable), such as warrants, is determined using the Black-Scholes option pricing model. The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability and the carrying amounts of any other components (when applicable) from the amount of the convertible debentures, and is presented in equity as an equity component of convertible debentures. The equity component is not remeasured subsequent to initial recognition, except on conversion or expiry.

The transaction costs are allocated between liability, equity and other (when applicable) components, on a pro-rata basis according to their carrying amounts.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated 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.

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 consolidated 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 May 31, 2021 and 2020.

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 Company 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 includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods.

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 consolidated statement of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)
All share options and warrants are included in reserves, a component of shareholders' equity, until exercised. Upon exercise, the consideration received plus the amounts in reserves attributable to the options and/or warrants being exercised are credited to share capital.

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
The fair value of 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. 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.

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 consolidated statements of 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, unless they have an anti-dilutive effect, 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 year ended August 31, 2020, the outstanding stock options and warrants were anti-dilutive.

Right of use asset
The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use assets are subsequently amortized from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term using the straight line method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease liability
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following payments during the lease term: fixed payments (including in-substance fixed payments), and the exercise price under a purchase option that the Company is reasonably certain to exercise.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

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) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii) 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.

iv) Going-concern assumption
The Company’s ability to continue as a going concern is dependent on its ability in the future to achieve profitable operations and in the meantime, obtain the necessary financing to meet its obligations and repay its liabilities when they come due. Realization values may be substantially different from carrying values and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

New accounting standards and interpretations

Effective September 1, 2019, the Company adopted the following accounting policies:

Leases
In the current year the Company adopted and applied IFRS 16 Leases (as issued by the IASB in January 2016). IFRS 16 Leases replaces IAS 17, Leases and IFRIC 4, Determining whether an arrangement contains a lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer ("lessee") and the supplier ("lessor"). The standard brings most leases onto the statement of financial position for lessees under a single model, eliminating the previous classifications of operating and finance leases. The only exemption to this treatment is for low value leases or lease contracts with a duration of less than one year. This standard results in the recognition of a right of use asset and an accompanying lease liability in the statement of financial position.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

On initial application, for leases previously classified as operating leases under IAS 17, the Company has elected to record right of use assets based on the corresponding calculated lease liability at September 1, 2019 of $44,998. When measuring lease liabilities for those leases previously classified as operating leases under IAS 17, the Company discounted future lease payments using its incremental borrowing rate as at September 1, 2019.

(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. RECEIVABLES

The receivables balance is comprised of the following items:

	May 31, 2021	*August 31, 2020*
Sales tax receivable from the Canadian Federal Government	$ 4,341	$ 6,479
Trade receivables	97,267	23,569
Due from related parties (Note 15)	-	1,250
	$ 101,608	$ 31,298

As of May 31, 2021, the significant amounts recorded in trade receivable are as follows:

On January 28, 2021, the Company entered into a three-year $150,000 SKD licensing agreement with Interactive Marketing Promotions LLC to deliver Augmented Reality immersive experiences integrated with the new Interactive Marketing Promotions Event App. During the period ended May 31, 2021, the Company recorded $21,019 in accounts receivable for the portion of revenue earned over the 36-months period.

On March 1, 2021, the Company entered into a three-year white-label mobile app agreement with World Tens Series, LLC (WTS) and their partner Global Sports Initiatives for $300,000USD plus revenue sharing of 30% for gross revenue generated by the mobile app program. During the period ended May 31, 2021, the Company recorded $31,156 in accounts receivable for the portion of revenue earned over the 36-months period.

(EXPRESSED IN CANADIAN DOLLARS)

6. PREPAID EXPENSES

The prepaid expense balance is comprised of the following items:

	May 31, 2021	*August 31, 2020*
Consulting	$ 40,909	$ 22,107
Advertising and promotion	19,794	86,339
Insurance	18,306	8,800
Rent deposit	5,794	-
	$ 84,803	$ 117,246

7. RECLAMATION BONDS

The reclamation bonds balance at May 31, 2021 of $5,040 (August 31, 2020 - $5,040) relates to the Company's previously held mineral properties.

8. GOODWILL AND INTANGIBLE ASSETS

	Software platform and application	*Goodwill*	*Patent portfolio*	*Total Intangible Assets*
Balance August 31, 2019	$ 1,110,895	$ 4,892,465	$ 464,089	$ 6,467,449
Depreciation	(889,325)	-	(36,639)	(925,964)
Write-down	(221,570)	(4,892,465)	(427,450)	(5,541,485)
Balance August 31, 2020 and May 31, 2021	$ -	$ -	$ -	$ -

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. 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:

(EXPRESSED IN CANADIAN DOLLARS)

8. GOODWILL AND INTANGIBLE ASSETS (continued)

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.

During the year ended August 31, 2020, the management completed its annual impairment testing for both its finite and indefinite life intangible assets. The recoverable amounts for all tests were based on expected forecast revenues to determine the risk of success or failure. As a result of not meeting forecasted revenue in the current year, management has revised the revenue probability weighting to reflect the uncertainty about the success and future economic benefits of the goodwill and intangible assets, which resulted in a write-down of $5,541,485. There were no tax impacts as a result of the impairment.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The payables balance is comprised of the following items:

		May 31, 2021		*August 31, 2020*
Trade payables	$	206,877	$	262,648
Related parties (Notes 14 and 15)		161,808		163,090
Accrued liabilities		55,705		59,710
Total	$	424,390	$	485,448

During the year ended August 31, 2020, the Company:

i) settled $18,080 of payables in consideration of 361,600 common shares valued at $41,584, which resulted in a loss of $23,504 (Note 14).

ii) settled $67,800 of payables for $56,500, which resulted in a gain of $11,300.

iii) settled $71,986 of payables for $52,376, which resulted in a gain of $19,610.

(EXPRESSED IN CANADIAN DOLLARS)

10. DEFERRED REVENUE

During the year ended August 31, 2020, the Company entered into a five-year $300,000USD licensing agreement to provide its Augmented Reality Platform for the launch of their new line of interactive products featuring social media leaders, athletes and celebrities. During the year ended August 31, 2020, the Company has received $45,000USD ($58,923) towards the contract. During the period ended May 31, 2021, the Company recorded $58,923 as service revenue as it successfully met one of the agreement's key milestone, and discontinued with the agreement.

On January 12, 2021, the Company entered into a three-year $150,000 SKD licensing agreement to launch Augmented Reality immersive experiences integrated with Liquid Avatar. Liquid Avatar empowers user to manage, control and gain value from their biometrically verified Self Sovereign Identity and personal data ownership. During the period ended May 31, 2021, the Company received $50,000 for the first year of service, of which $20,998 is recognized as revenue and $29,002 is recognized as deferred revenue. The revenue is amortized using the straight-line method over a period of 36 months.

On March 20, 2021, the Company entered into a three-year white-label mobile app agreement with Global Sports Initiatives for $300,000USD plus revenue sharing of 30% for gross revenue generated by the mobile app program. During the period ended May 31, 2021, the Company received $100,000USD ($126,667) for the first year of use of the license, of which $31,156 is recognized as revenue and $95,511 is recognized as deferred revenue. The revenue is amortized using the straight-line method over a period of 36 months.

11. RIGHT OF USE ASSET AND LEASE LIABILITIES

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments excluding renewal options as they are not expected to be exercised, discounted using the Company's incremental borrowing rate as of September 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on September 1, 2019 was 15%

The following is a reconciliation of operating lease commitments to lease obligation in accordance with IFRS 16:

Total current lease liabilities recognized under IFRS 16 at September 1, 2019	$	51,137
Discounted using incremental borrowing rate		(6,139)
Total lease liabilities recognized under IFRS 16 at August 31, 2020	$	44,998

The recognized right of use asset relates to the lease on the Canadian facilities. The change in accounting policy affected the following items in the statement of financial position on September 1, 2019:

- Right of use assets – increased by $44,998
- Lease liabilities - increased by $44,998

The recognized right of use asset relates to the lease on the Canadian facilities. The change in accounting policy affected the following items in the statement of financial position on May 1, 2021:

- Right of use assets – increased by $12,454
- Lease liabilities - increased by $12,454

(EXPRESSED IN CANADIAN DOLLARS)

11. RIGHT OF USE ASSET AND LEASE LIABILITIES (continued)

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous
- elected to account for the payments for short-term leases and leases of low-value assets as an expense in profit or loss on a straight-line basis over the lease term
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

For the nine month period ending May 31, 2021, the depreciation of the right of use assets was $19,037. The right of use assets are depreciated on a straight-line basis over the term of the lease.

Right of use asset, September 1, 2019	$	44,998
Depreciation of right of use assets		(26,999)
Right of use asset, August 31, 2020		17,999
Additions		12,454
Depreciation of right of use assets		(19,037)
Right of use asset, May 31, 2021	$	11,416

As of May 31, 2021, the Company has one agreement that was a lease as defined under IFRS 16. In analyzing the identified agreement, the Company applied the lessee accounting model pursuant to IFRS 16, and considered all of the facts and circumstances surrounding the inception of the contract. Lease liabilities were calculated with a discount rate of 15%.

Lease Type	Date of Maturity
Erie, PA office*	May 31, 2022

*The monthly rent 850 USD.

For the nine month period ending May 31, 2021, interest on the lease liabilities was $1,260, included in accretion interest on right-of-use asset.

Lease liabilities, August 31, 2020	$	44,998
Payment of lease liabilities		(21,868)
Accretion of interest		5,034
Forgiveness of rent*		(8,814)
Lease liabilities, August 31, 2020		19,350
Additions		12,454
Payment of lease liabilities		(7,452)
Accretion of interest		1,260
Forgiveness of rent*		(14,047)
Lease liabilities, May 31, 2021	$	11,565

* Subsidized rent costs due to COVID-19

(EXPRESSED IN CANADIAN DOLLARS)

12. LOAN PAYABLE

During the year ended August 31, 2020, the Company received a loan of $40,000 for the Canada Emergency Business Account to provide emergency support to the business due to the impact of COVID-19. The loan is non-interest bearing until December 31, 2022, after which it will incur interest at 5% per annum.

If principal of $30,000 is repaid on or before December 31, 2022, the remaining $10,000 will be forgiven.

13. CONVERTIBLE DEBENTURES

On January 31, 2020, the Company issued convertible debentures in the principal amount of $560,000. Each debenture bears interest at a rate of 12% per annum and matures two years from the date of issuance. The debentures are convertible into units at a price of $0.05 per unit and each unit will consist of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share of the Company at a price of $0.10 per share for a period of three years from the date of issuance. The Company paid issuance costs of $2,100 cash and 42,000 broker's warrants valued at $2,076.

During the year ended August 31, 2020, the Company issued 11,562,568 units valued at $583,888 pursuant to the conversion of the debentures in settlement of liabilities of $513,528, of which $37,991 were accrued interest, and accordingly, the Company reallocated $70,360 of convertible debenture equity portion to share capital. In connection with the conversion, no value was allocated to the warrant component of the unit offering completed.

During the period ended May 31, 2021, the Company recorded accretion of $964 for the debentures (2020 - $33,095). During the period ended May 31, 2021, the Company issued 210,258 units valued at $11,926 pursuant to the conversion of the debentures in settlement of liabilities of $10,647, of which $964 were accrued interest, and accordingly, the Company reallocated $1,279 of convertible debenture equity portion to share capital. In connection with the conversion, no value was allocated to the warrant component of the unit offering completed.

	Liability	*Equity*	*Total*
Balance August 31, 2019	$ -	$ -	$ -
Issuance of convertible debentures	487,822	72,178	560,000
Issuance costs - cash	(1,829)	(271)	(2,100)
Issuance costs - warrants	(1,808)	(268)	(2,076)
Accretion of interest	39,026	-	39,026
Conversion to 11,520,504 units	(513,528)	(70,360)	(583,888)
Balance August 31, 2020	$ 9,683	$ 1,279	$ 10,962
Accretion of interest	964	-	964
Conversion to 210,258 units	(10,647)	(1,279)	(11,926)
Balance May 31, 2021	$ -	$ -	$ -

On February 25, 2020, the Company issued convertible debentures in the principal amount of $944,782. Each debenture bears interest at a rate of 12% per annum and matures two years from the date of issuance. The debentures are convertible into units at a price of $0.05 per unit and each unit will consist of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase an additional share common share of the Company at a price of $0.10 per share for a period of three years from the date of issuance. The Company paid issuance costs of $32,900 cash and 184,900 broker's warrants valued at $9,155. During the period ended May 31, 2021, the Company recorded accretion of interest of $2,158 (2020 - $47,081) for the debentures.

(EXPRESSED IN CANADIAN DOLLARS)

13. CONVERTIBLE DEBENTURES (continued)

During the year ended August 31, 2020, the Company issued 17,858,662 units valued at $886,526 pursuant to the conversion of the debentures in settlement of liabilities of $779,384, of which $55,252 were accrued interest, and accordingly, the Company reallocated $107,142 of convertible debenture equity portion to share capital. In connection with the conversion, no value was allocated to the warrant component of the unit offering completed.

During the nine months ended May 31, 2021, the Company issued 1,552,585 units valued at $80,909 pursuant to the conversion of the debentures in settlement of liabilities of $71,699, of which $9,455 were accrued interest, and accordingly, the Company reallocated $9,210 of convertible debenture equity portion to share capital. In connection with the conversion, no value was allocated to the warrant component of the unit offering completed.

	Liability	*Equity*	*Total*
Balance August 31, 2019	$ -	$ -	$ -
Issuance of convertible debentures	823,010	121,772	944,782
Issuance costs - cash	(28,660)	(4,240)	(32,900)
Issuance costs - warrants	(7,975)	(1,180)	(9,155)
Accretion of interest	62,550	-	62,550
Conversion to 17,900,726 units	(779,384)	(107,142)	(886,526)
Balance August 31, 2020	$ 69,541	$ 9,210	$ 78,751
Accretion of interest	2,158	-	2,158
Conversion to 1,552,585 units	(71,699)	(9,210)	(80,909)
Balance May 31, 2021	$ -	$ -	$ -

For accounting purposes, these convertible debentures were separated into their liability and equity components. The fair value of the liability component at the time of issuance was calculated with the discounted cash flows for the convertible notes, assuming a 20% effective interest rate which was the management estimated rate for convertible notes without a conversion feature. The fair value of the equity component was determined at the time of issuance as the difference between the face value of the convertible debentures and the fair value of the liability component.

14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

Capital stock

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

During the nine months ended May 31, 2021, the Company:

i) issued 1,515,000 common shares pursuant to the exercise of options for proceeds of $101,550, and accordingly, the Company reallocated $83,354 of share-based payment reserve to share capital.

ii) issued 13,233,471 common shares pursuant to the exercise of warrants for proceeds of $2,829,633, and accordingly, the Company reallocated $20,394 of warrant reserve to share capital.

iii) issued 1,762,843 common shares valued at $92,835 pursuant to the exercise of the convertible debentures in settlement of $82,346, and accordingly, the Company reallocated $10,489 of convertible debentures - equity portion to share capital (Note 13). In connection with the conversion, no value was allocated to the warrant component of the unit offering completed.

iv) issued 500,000 shares valued at $170,000 in consideration of promotional services.

v) issued 500,000 shares valued at $165,000 in consideration of consulting services over a four-month period.

During the year ended August 31, 2020, the Company:

i) issued 3,000,000 shares valued at $150,000 in consideration of consulting services over a six-month period. In addition, the Company also granted 1,500,000 warrants (valued at $57,484) exercisable at a price of $0.05 expiring on January 21, 2022.

ii) issued 361,600 common shares for services valued at $18,080.

iii) issued 5,322,500 common shares pursuant to the exercise of options for proceeds of $292,850, of which $1,250 was subsequently received and recorded as receivable, and accordingly, the Company reallocated $246,046 of share-based payment reserve to share capital.

iv) issued 34,207,000 common shares pursuant to the exercise of warrants for proceeds of $4,551,450, and accordingly, the Company reallocated $294,448 of warrant reserve to share capital.

v) issued 29,421,230 common shares valued at $1,470,414 pursuant to the exercise of the convertible debentures in settlement of $1,292,912, and accordingly, the Company reallocated $177,502 of convertible debentures - equity portion to share capital (Note 13). In connection with the conversion, no value was allocated to the warrant component of the unit offering completed.

(EXPRESSED IN CANADIAN DOLLARS)

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

Share purchase warrants

At May 31, 2021 warrants were outstanding enabling holders to acquire shares as follows:

Expiry Date	Exercise Price ($)	Number of warrants	Remaining contractual life (years)
August 9, 2021	0.25	2,600,000	0.19
November 5, 2021	0.25	14,120,068	0.43
January 30, 2023	0.10	400,000	1.67
February 25, 2023	0.10	1,595,640	1.74
		18,715,708	

The following is a summary of the warrant transactions during the nine months ended May 31, 2021 and year ended August 31, 2020:

	Period ended May 31, 2021			Year ended August 31, 2020		
	Number Of Warrants		Weighted Average Exercise Price	Number Of Warrants		Weighted Average Exercise Price
Balance, beginning of the period	31,953,539	$	0.24	37,997,317	$	0.28
Warrants issued - pursuant to services	-		-	1,500,000		0.05
Warrants issued - pursuant to convertible debentures	1,695,640		0.10	28,626,900		0.10
Warrants exercised	(13,233,471)		0.21	(34,207,000)		0.13
Warrants expired/cancelled	(1,700,000)		0.31	(1,963,678)		0.67
Balance, end of period	18,715,708	$	0.23	31,953,539	$	0.24

The weighted average market value price on the date of exercise of the warrants was $0.21 (August 31, 2020 - $0.34).

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of broker’s warrants granted for the nine month period ended May 31, 2021 and year ended August 31, 2020:

	Period ended May 31, 2021	Year ended August 31, 2020
Risk-free interest rate	-	1.60%
Expected life of options	-	2.13 years
Expected annualized volatility	-	167%
Exercise price	-	$0.06
Expected dividend rate	-	0%

(EXPRESSED IN CANADIAN DOLLARS)

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

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.

Stock options (continued)

As at May 31, 2021, the following incentive stock options were outstanding:

		Number of Options	
Expiry Date	Exercise price ($)	Outstanding	Exercisable
August 24, 2021	0.24	62,500	62,500
September 28, 2021	0.135	500,000	500,000
November 16, 2021	0.15	50,000	50,000
February 3, 2022	0.05	317,100	317,100
April 18, 2022	0.31	750,000	750,000
June 10, 2022	0.10	100,000	100,000
June 26, 2022	0.14	125,000	125,000
July 4, 2022	0.26	250,000	250,000
July 30, 2022	0.175	150,000	150,000
August 18, 2022	0.14	325,000	325,000
September 8, 2022	0.125	300,000	150,000
September 12, 2022	0.125	100,000	75,000
September 12, 2022	0.05	437,500	437,500
October 26, 2022	0.19	150,000	150,000
November 9, 2022	0.275	325,000	325,000
December 10, 2022	0.175	150,000	150,000
February 1, 2023	0.22	100,000	50,000
February 10, 2023	0.25	225,000	225,000
February 19, 2023	0.10	750,000	750,000
February 23, 2023	0.34	250,000	250,000
March 10, 2023	0.245	100,000	100,000
April 1, 2023	0.410	100,000	100,000
April 19, 2023	0.310	100,000	100,000
May 6, 2023	0.28	200,000	200,000
July 8, 2023	0.30	600,000	600,000
October 2, 2023	0.25	5,250,000	5,250,000
April 1, 2024	0.41	1,500,000	1,500,000
April 11, 2024	0.60	1,000,000	1,000,000
April 13, 2024	0.405	250,000	83,334
May 14, 2024	0.90	500,000	500,000
April 25, 2025	0.50	250,000	100,000
		15,267,100	14,725,434

(EXPRESSED IN CANADIAN DOLLARS)

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

Stock options (continued)

The following is a summary of the option transactions during the period ended May 31, 2021 and year ended August 31, 2020:

	Period ended May 31, 2021		Year ended August 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the period	8,107,100	$ 0.24	5,994,600	$ 0.46
Options granted/re-issued	8,775,000	0.28	10,300,000	0.06
Options re-issued	-	-	35,000	0.14
Options exercised	(1,515,000)	0.07	(5,322,500)	0.18
Options expired/cancelled	(100,000)	0.05	(2,900,000)	0.17
Balance, end of the period	15,267,100	$ 0.29	8,107,100	$ 0.25

The weighted average market value price on the date of exercise of the options was $0.07 (August 31, 2020 - $0.19).

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted for the nine month period ended May 31, 2021 and year ended August 31, 2020:

	Period ended May 31, 2021	Year ended August 31, 2020
Risk-free interest rate	0.29%	1.00%
Expected life of options	2.80 years	2.33 years
Expected annualized volatility	187.57%	177%
Exercise price	$0.279	$0.07
Expected dividend rate	0%	0%

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

Share based compensation

During the nine month period ended May 31, 2021, the Company granted the following options:

i) issued 300,000 stock options to a consultant of the Company. The options are exercisable at $0.125 per share, expiring on September 8, 2022. The options vest over a 1 year, of which 150,000 options are vested at grant date, and the remaining 150,000 options are vested at the one-year anniversary of the grant date.

ii) issued 100,000 stock options to a consultant of the Company. The options are exercisable at $0.125 per share, expiring on September 12, 2022. The options vest over 262 days, where 25,000 options are vested at grant date, 25,000 options are vested on December 1, 2020, 25,000 options are vested on March 1, 2021, and the remaining 25,000 options are vested on June 1, 2021.

iii) issued 5,250,000 stock options to an officer and directors of the Company. The options are valued at $1,067,055, exercisable at $0.25 per share, expiring on October 2, 2023. The options vested immediately.

iv) issued 150,000 stock options to a consultant of the Company. The options are valued at $23,604, exercisable at $0.19 per share, expiring on October 26, 2022. The options vested immediately.

v) issued 150,000 stock options to a consultant of the Company. The options are valued at $22,361, exercisable at $0.175 per share, expiring on December 10, 2022. The options vested immediately.

vi) issued 100,000 stock options to a consultant of the Company. The options are valued at $18,657, exercisable at $0.22 per share, expiring on February 1, 2023. The options vest over 242 days, where 25,000 options are vested at grant date, 25,000 options are vested on April 1, 2021, 25,000 options are vested on July 1, 2021, and the remaining 25,000 options are vested on October 1, 2021.

vii) issued 225,000 stock options to consultants of the Company. The options are valued at $47,605, exercisable at $0.25 per share, expiring on February 10, 2023. The options vest 90 days, where 25,000 options are vested at grant date, and the remaining 200,000 options are vested after 90 days.

viii) issued 250,000 stock options to a consultant of the Company. The options are valued at $69,602, exercisable at $0.34 per share, expiring on February 23, 2023. The options fully vest 90 days after grant.

ix) issued 100,000 stock options to a consultant of the Company. The options are valued at $21,628, exercisable at $0.245 per share, expiring on March 10, 2023. The options vested immediately.

x) issued 100,000 stock options to a consultant of the Company. The options are valued at $48,916, exercisable at $0.41 per share, expiring on April 1, 2023. The options vested immediately.

xi) issued 1,500,000 stock options to directors of the Company. The options are valued at $763,105, exercisable at $0.41 per share, expiring on April 13, 2024. The options vested immediately.

xii) issued 250,000 stock options to a consultant of the Company. The options are valued at $90,530, exercisable at $0.405 per share, expiring on April 13, 2024. The options vest over 730 days, where 83,334 options are vested at grant date, 83,333 options are vested on April 13, 2022, and the remaining 83,333 options are vested on April 13, 2023.

xiii) issued 100,000 stock options to a consultant of the Company. The options are valued at $26,457, exercisable at $0.31 per share, expiring on April 19, 2023. The options vested immediately.

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

Share based compensation (continued)

xiv) issued 200,000 stock options to consultants of the Company. The options are valued at $43,711, exercisable at $0.28 per share, expiring on May 6, 2023. The options vested immediately.

During the year ended August 31, 2020, the Company granted the following options:

i) issued 500,000 stock options to an officer and consultants of the Company. The options are valued at $11,830 exercisable at $0.05 per share, expiring on September 12, 2022. Half of the options vested immediately and half of the options vest on the first anniversary.

ii) issued 2,000,000 stock options to a director of the Company. The options are valued at $93,933, exercisable at $0.05 per share, expiring October 9, 2022. The options vested immediately.

iii) issued 2,000,000 stock options to a consultant of the Company. The options are valued at $93,933, exercisable at $0.05 per share, expiring on October 9, 2022. The options vested immediately. The options were cancelled during the year.

iv) issued 250,000 stock options to a consultant of the Company. The options are valued at $8,529, exercisable at $0.045 per share, expiring on January 30, 2021. The options vested immediately.

v) issued 750,000 stock options to a consultant of the Company. The options are valued at $24,417, exercisable at $0.05 per share, expiring on January 30, 2021. The options vested immediately.

vi) issued 100,000 stock options to a consultant of the Company. The options are valued at $5,177, exercisable at $0.075 per share, expiring on February 5, 2021. The options vested immediately.

vii) issued 750,000 stock options to a director of the Company. The options are valued at $47,353, exercisable at $0.10 per share, expiring on February 19, 2020. The options vested immediately.

viii) issued 100,000 stock options to a consultant of the Company. The options are valued at $1,878, exercisable at $0.05 per share, expiring on March 10, 2021. Half of the options vested immediately and half of the options vest on the first anniversary.

ix) issued 200,000 stock options to a consultant of the Company. The options are valued at $3,912, exercisable at $0.05 per share, expiring on April 21, 2025. The options vested immediately.

x) issued 250,000 stock options to a consultant of the Company. The options are valued at $7,306, exercisable at $0.05 per share, expiring on April 25, 2025. The options vest over 5 years, of which 50,000 options vested at grant date, and 50,000 options vest per annum over a 4 year period.

xi) issued 200,000 stock options to consultants of the Company. The options are valued at $6,382, exercisable at $0.05 per share, expiring on May 7, 2021. The options vest over 1 year, of which 50,000 options are vested at grant date, and 50,000 options vest per quarter over the 1 year period.

xii) issued 1,000,000 stock options to consultants of the Company. The options are valued at $31,912, exercisable at $0.05 per share, expiring on May 7, 2021. The options vested immediately.

xiii) issued 1,000,000 stock options to a consultant of the Company. The options are valued at $53,757, exercisable at $0.05 per share, expiring on May 20, 2021. The options vest over 1 year, of which 250,000 options are vested at grant date, and 250,000 options vest per quarter over the 1 year period.

(EXPRESSED IN CANADIAN DOLLARS)

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

Share based compensation (continued)

xiv) issued 125,000 stock options to a consultant of the Company. The options are valued at $14,469, exercisable at $0.14 per share, expiring on June 26, 2022. The options vest over 90 days, of which 62,500 options are vested at grant date, and the remaining 62,500 options vested after 90 days.

xv) issued 600,000 stock options to an officer and an employee of the Company. The options are valued at $159,973, exercisable at $0.30 per share, expiring on July 8, 2023. The options vested after 90 days.

xvi) issued 150,000 stock options to a consultant of the Company. The options are valued at $22,043, exercisable at $0.175 per share, expiring on July 30, 2022. The options vest over 159 days, of which 50,000 options vested at grant date, 50,000 options vested on October 5, 2020, and the remaining 50,000 option vest on January 25, 2021.

xvii) issued 325,000 stock options to an officer and consultants of the Company. The options are valued at $38,252, exercisable at $0.14 per share, expiring on August 18, 2022. 175,000 options vested immediately and the remaining 150,000 options vest as follows:

a) 100,000 options vest over 89 days, where 50,000 options vested at grant date, and the remaining 50,000 option vested on November 15, 2020.
b) 50,000 options vest over 136 days, where 25,000 options vested at grant date, and the remaining 25,000 options vest on January 1, 2021.

15. RELATED PARTY TRANSACTIONS

Amounts paid or accrued to related parties are as follows:

	For the period ended May 31, 2021	May 31, 2020
Consulting, director, and management fees	$ 237,267	$ 229,781
Share-based compensation	1,830,160	142,468
Total	$ 2,067,427	$ 372,249

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, 2021, the Company paid or accrued:

i) management and consulting fees of $219,267 (2020 - $211,781), to the CEO of the Company.

ii) consulting fees of $18,000 (2020 - $18,000) to the CFO of the Company.

As of May 31, 2021, $Nil (August 31, 2020 - $1,250) was owed to the Company by an officer for exercise of options.

As of May 31, 2021, $161,808 (August 31, 2020 - $163,090) remained outstanding to related parties and is included in accounts payable and accrued liabilities.

(EXPRESSED IN CANADIAN DOLLARS)

15. RELATED PARTY TRANSACTIONS (continued)

During the period ended May 31, 2021, the Company issued 6,750,000 stock options (2020 – 2,800,000) to an officer and directors of the Company, resulting in share-based compensation of $1,830,160 (2020 - $142,478).

During the period ended May 31, 2021, the Company issued 1,448,000 units valued at $75,145 to a director of the Company, companies controlled by a director of the Company, spouse and dependent of a director of the Company. The conversion of the debentures settled liabilities of $66,551, of which $8,469 related to accrued interest, and accordingly, the Company reallocated $8,594 of convertible debenture equity portion to share capital. In connection with the conversion, no value was allocated to the warrant component of the unit offering (Note 13).

During the year ended August 31, 2020, the Company issued 13,480,699 units valued at $674,938 to a director of the Company, companies controlled by a director of the Company, spouse and dependent of a director of the Company. The conversion of the debentures settled liabilities of $593,456, of which $42,755 related to accrued interest, and accordingly, the Company reallocated $81,481 of convertible debenture equity portion to share capital. In connection with the conversion, no value was allocated to the warrant component of the unit offering (Note 13).

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 period ended May 31, 2021.

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:

	May 31, 2021			August 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Asset						
Cash	$ 5,297,935	$ -	$ -	$ 4,659,437	$ -	$ -

16. FINANCIAL RISK FACTORS (continued)

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 May 31, 2021, the Company had $424,390 (August 31, 2020 - $485,448) of accounts payable and accrued liabilities due on standard trade payable terms not exceeding 90 days.

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, 2021, the Company has US$758,890 included in cash, US$108,758 included in accounts payable and accrued liabilities. A 5% change in the exchange rate would result in a $39,242 change on profit or loss.

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions for the period ended May 31, 2021 consisted of:

i) transfer of fair value of $83,354 from contributed surplus to capital stock pursuant to the exercise of stock options.

ii) transfer of fair value of $20,394 from contributed surplus to capital stock pursuant to the exercise of warrants.

iii) transfer of $82,346 from the liability portion and $10,489 from the equity portion of the convertible debenture to capital stock pursuant to the conversion of units (Note 13).

Significant non-cash investing and financing transactions for the period ended May 31, 2020 consisted of:

i) issued 1,500,000 warrants valued at $57,484 pursuant to the consulting services agreement (Note 14).

ii) issued 226,900 warrants valued at $11,231 pursuant to the issuance of convertible debentures (Note 13).

iii) transfer of fair value of $31,912 from contributed surplus to capital stock pursuant to the exercise of stock options.

iv) issued 180,800 common shares valued at $6,328 in consideration of marketing services.

v) issued 3,000,000 common shares valued at $150,000 in consideration of financial advisory services.

18. SUBSEQUENT EVENTS

Subsequent to May 31, 2021, the Company issued 125,000 shares valued at $21,250 in consideration of promotional services.