# *ImagineAR Inc.*

# *MANAGEMENT'S DISCUSSION AND ANALYSIS*

## July 28, 2021

**For the nine months ended May 31, 2021 and May 31, 2020**

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## 1. INTRODUCTION

The Management's Discussion and Analysis ("MD&A") of operating results and financial position for the nine months ended May 31, 2021 and 2020 is supplementary to and should be read in conjunction with the condensed interim consolidated financial statements and related notes for the same period as well as the audited consolidated financial statements and related notes for the financial years ended August 31, 2020. Copies of these documents can be found on the SEDAR website at www.sedar.com. The MD&A is intended to help readers understand the dynamics of our business and the key factors underlying our financial results. The MD&A and the consolidated financial statements were approved by the Board of Directors on July 28, 2021.

## 2. NON-IFRS MEASURES

This MD&A makes reference to certain non-IFRS measures such as "Total Bookings" and "Backlog". These non-IFRS measures are not recognized, defined or standardized measures under IFRS. Our definition of Total Bookings and Backlog will likely differ from that used by other companies and therefore comparability may be limited.

Total Bookings: the total dollar value of technology services and license services included in contracts with our customers. 'Value' is the total revenue (recognizable or not) associated with each transaction, as opposed to the amount invoiced or recognized as revenue in the period. This information provides the user with information on the performance of our sales efforts in the period as there is a timing difference between when we close a deal and when it is ultimately 'earned' as defined in IFRS for revenue due to the term of our contracts and delivery timelines.

Backlog: the estimated unearned portion of technology services and license services in customer contracts that are in process and have not been completed as at the specified date. This includes billed and unbilled amounts within each contract. Since our revenue is recognized as earned, this will translate to total bookings to date less earned revenue recognized on the financial statements. This information provides the user with an estimate of the work expected to be completed and earned in the future at a given point in and is used by management to allocate resources to our revenue delivery team.

Total Bookings and Backlog should not be considered a substitute for or in isolation from measures prepared in accordance with IFRS. These non-IFRS measures should be read in conjunction with our annual audited consolidated financial statements for the year ended December 31, 2020. Readers should not place undue reliance on non-IFRS measures and should instead view them in conjunction with the most comparable IFRS financial measures. See the reconciliations to these IFRS measures in the "Reconciliation of Non-IFRS Measures" section of this MD&A.

## 2. FORWARD-LOOKING INFORMATION

*This document contains forward-looking statements which reflect management's current expectations about future events and financial and operating performance of the Company. Words such as "may", "will", "should", "could", "anticipate", "believe," "expect, "intend", "plan", "potential", "continue" and similar expressions have been used to identify these forward-looking statements. Forward-looking statements contained in this document may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. These statements reflect management's current views with respect to future events or conditions, including prospective financial performance, financial position, and predictions of future actions, plans or strategies. Certain material factors and assumptions were applied in drawing our conclusions and making these forward-looking statements. These statements reflect management's current views, beliefs and assumptions and are subject to certain inherent risks and uncertainties. Factors that could cause actual performance to differ materially include, but are not limited to:*

- *ability to develop or acquire new technology;*
- *competition in the market;*
- *development of new software products;*
- *economic growth and fluctuations;*
- *proper performance of our applications;*
- *the protection and privacy of personal information which we hold;*
- *the risks associated with credit;*
- *capital expenditures;*
- *changes in accounting policies and estimates;*
- *exchange rate fluctuation between the US and Canadian dollar;*
- *human resource matters, including recruitment and retention of competent personnel;and*
- *the ability to raise capital.*

*The above (and other) factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by these forward-looking statements. See "Risks and Uncertainties" below and the section entitled "Risk Factors". Should one or more of these risks or uncertainties materialize, or should the assumptions underlying our projections or forward-looking statements prove incorrect, our actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. We do not intend and do not assume any obligation to update these forward-looking statements whether as a result of new information, plans, events or otherwise, unless required by law. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.*

## 3. COMPANY OVERVIEW

ImagineAR Inc. (formerly Imagination Park Technologies 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 digital content to users through a cloud-based enterprise augmented reality ("AR") platform with a brand name of ImagineAR™.

Since March 1, 2019, the Company transitioned ImagineAR™ software development from San Diego, California to Canada to reduce monthly expenditures and leverage a new development partner's mobile app expertise. ImagineAR™ functionality, features, and architecture have been significantly improved with eight new mobile app version releases from March 1, 2019 – July 26, 2019. In calendar year 2019, the Company was focused on beta-tests and successful proof of concepts in key target marketplaces to develop a reference base of use cases and testimonials. As the Company has become fully commercialized starting September 2019, recurring client revenue is expected to increase in the second half of calendar year 2020 as the prospective sales funnel has continued to grow on a month-by-month basis as well as contracted clients are implementing new monthly AR Campaigns. Unfortunately, Covid-19 has negatively impacted the North American sports and live events marketplace and therefore reduced the Company revenue expectations in 2020. But with this new pandemic paradigm, the Company continues to receive requests for demonstrations from organizations in brands, sports, and the music marketplace. The Company expects bookings and revenues to grow during Calendar 2021 as it expanded marketing globally and participated in the Hype Sports Innovation Lab Accelerator.

*About ImagineAR™ Product Suite*

ImagineAR.com - is an "AR-as-a-Service" platform for desktops that enables businesses of any size to create and implement their own AR campaigns with no programming or technology experience. Every organization, from professional sports franchises to small retailers, can develop interactive AR campaigns that blend the real and digital worlds using ImagineAR™. Customers simply point their mobile device at logos, signs, buildings, products, landmarks and more to instantly engage videos, information, advertisements, coupons, 3D holograms and any interactive content all hosted in the cloud and managed using a menu-driven portal. Integrated real-time analytics means that all customer interaction is tracked and measured in real-time.

*ImagineAR™* is the consumer AR mobile app that allows the user to visualize the AR content once it is activated through ImagineAR™ Client Studio. The activated content can be in the form of an image, text or video. ImagineAR™ can also deliver AR rewards, sweepstakes and create AR scavenger hunts. The mobile app is available for free in both the IOS and Android mobile app stores.

*ImagineAR* **™** SDK/API - Companies can integrate the ImagineAR™ platform with their existing mobile app. Larger companies and brands, who have significantly invested in their mobile app, can instantly create AR immersive campaigns to further expand consumer usage, activation, and downloads. These products will be available through an annual license agreement from the Company.

*ImagineAR™ Cloud* **-** Centralized content management system where the content is securely stored and managed.

The Company developed the ImagineAR.com self-service website which allows any organization or individual utilizing a credit card, to create and launch an augmented reality campaign in minutes without the need for a technical resource. The AR campaigns can be location-based or marker-based (image activation) for a specific timeframe and include coupons and rewards.

Working together, these products bridge the gap between the digital world and real-world experiences. The mobile apps allow the users to scan real-world objects to unlock useful and entertaining content. The application also allows users to create their own augmented reality content. The Company also provides professional content services that can take the form of gaming content (scavenger hunts, score boards, sweepstakes etc.) or custom content (3D modelling, video animation, brand logo imaging etc.)

The AR experiences could be published to the ImagineAR™ mobile app, ImagineAR™ SDK, or a white label app developed by the Company. The Company will charge users a Software as a Service ("SaaS") recurring monthly licensing fee for the use of the ImagineAR™ mobile app or an annual recurring licensing fee for the SDK.

The Company has been marketing ImagineAR™ to the sports industry, music, brands live events, and the retail marketplace.

Recent successful client agreements include:

**On November 19, 2019,** the Company entered into a partnership with the Sacramento Kings, to integrate the new Imagine AR™ SDK/API in the award-winning Sacramento Kings + Golden 1 Center app to deliver augmented reality engagement opportunities during home games for fans and guests. The SDK is currently planned to be launched in 2021.

**On November 26, 2019,** the Company announced that the 2020 Greater Milwaukee Car & Truck Show, working with the Imagination Park reseller IMP Touch-A-Prize, has executed an agreement to deliver an AR Scavenger Hunt for attendees to activate and experience in February 2020.

**On December 3, 2019,** the Company signed a deal with the Louisville Bats to deliver augmented reality experiences to the Louisville Slugger Field and the city of Louisville, Kentucky for the 2020 season. The Cincinnati Reds Triple-A MILB affiliate will be among the first Triple-A teams to utilize AR for fan engagement on their iOS or Android mobile devices.

**On December 16, 2019,** the Company signed a deal with the Houston Saber Cats to deliver augmented reality experiences to AVEVA Field and the city of Houston, Texas for the 2020 season. The Houston Saber Cats Major League Rugby team will utilize Imagine AR™ for fan engagement for iOS and Android mobile devices.

**On April 1, 2020,** the Company announced a partnership with the Louisville Bats to help support local restaurant partners whose operations have been affected by the Coronavirus pandemic. The initiative, "Buddy's Curbside Pick Up," offers the chance to win a variety of great Louisville Bats prizes by simply ordering curbside pickup from a participating restaurant and sharing a picture of your trip on social media with a special hashtag.

**On April 29, 2020,** the Company signed a five year $300,000USD licensing agreement to provide its Augmented Reality Platform to SlapItOn for the launch of their new line of interactive products featuring social media leaders, athletes and celebrities. To date the Company has received $45,000USD towards the contract and is recording revenue straight line over the five year period at $5,000USD per month.

**On May 12, 2020,** the Company signed a partnership with Engaged Nation, an award-winning leader in digital engagement marketing for the casino industry. Engaged Nation will integrate the Company's augmented reality platform into their REACH™ Platform as an enhanced offering to their casino clients.

**On July 31, 2020,** the Company launched a "CEO Verified" Discussion Forum on AGORACOM to serve as the Company's primary social media platform to interact with both current and prospective shareholders in a fully moderated environment. AGORACOM Verified Forums provide the first ever identity verification of small cap company executives on an investor platform. As a result, the Company's CEO and officers can post within a discussion forum without the risk of impersonation, while providing shareholders with the confidence of receiving verified information directly from the Company.

**On August 13, 2020,** the Company signed an MOU with the Pittsburgh Gateways Corporation ("Gateways"), a developer of technology-based research centers in the United States. Since its inception, Gateways has established, or formed collaborative alliances with, over 30 technology centers, primarily in Western Pennsylvania, but extending throughout the Northeastern and Midwestern United States. The organization has also assisted in the formation of over 60 new or development-stage ventures, many of which are thriving today as successful business and economic development enterprises. Its efforts have contributed to the creation of thousands of jobs.

**On August 19, 2020,** the Company announced that Gus Frerotte has joined the Company as an Advisor to the CEO for the purposes of marketing AR solutions to sports organizations to enhance fan engagement and generate new revenue streams. Mr. Frerotte is a former NFL Pro Bowl QB with over 15 years in the NFL league and current host of the podcast "Huddle with Gus". The Company believes Gus will continue to accelerate the Company's early Augmented Reality success within professional sports and related organizations.

**On August 24, 2020**, the Company announced the Joseph M. Katz Graduate School of Business at the University of Pittsburgh is unveiling a new and exciting business disruption series course called, "Augmented and Virtual Reality (AR/VR) for Brands and Strategy." The course, in partnership with the Company will be taught by Vanitha Swaminathan, Thomas Marshall Professor of Marketing. "Augmented and Virtual Reality for Brands and Strategy" will be initially available for MBA and MS students and eventually to undergraduate students at the College of Business Administration. The entirety of the course will be taught in an online format. U.S. News & World Report has ranked the Katz Graduate School of Business 39th in its 2021 ranking of the Best Business Schools in the United States.

**On September 9, 2020,** the Company signed a five year $250,000USD licensing agreement to provide its Augmented Reality Platform to WaV Sports & Entertainment for the launch of their new proprietary line of global sports engagement products. In addition to the five year licensing fee, the agreement also provides for joint revenue sharing fees over the term which can significantly increase the annual revenue for the Company.

**On September 14, 2020,** the Company appointed Chris Dill as an advisor to the CEO for the purposes of taking the Company's platform solutions to professional sports teams and industry leading vendors to enhance fan engagement and generate new revenue streams.

**On September 30, 2020,** the Company signed a two year partnership agreement with Valencia C.F., one of the biggest soccer clubs in the world and the winner of six LaLiga titles, to provide its Augmented Reality Platform for fan activation and engagement. This historic agreement makes Valencia C.F. the first LaLiga team to incorporate Augmented Reality for fan activation and engagement.

**On October 7, 2020**, the Company is providing its augmented reality self-service platform to support Chef Claudy Pierre's E.A.T. Initiative program in partnership with Pittsburgh Gateways' Energy Innovation Center (EIC) in Pittsburgh, Pennsylvania. During this pandemic, Pierre has started providing food to the community from the EIC Kitchen and has donated over 30,000 meals and Blessing Boxes, thanks to the support of the EIC and corporate partners such as Chime Bank and Super Bakery.

**On October 14, 2020,** the Company signed a reseller agreement with Sticky Media, a digital and physical sign manufacturer based in Montreal, Canada with over 1500 clients in the last 15 years including Psycho Bunny, Vans , Dominos, and Pajar.

**On October 21, 2020,** the Company announced its first ever mobile WebAR Retail Project launching in December 2020. This is a new product offering for the Company and first commercial agreement to provide 'non-app' augmented reality experiences for a major retail campaign program using 3D models. Consumers will experience augmented reality using their mobile phone cameras without downloading an app in a retail environment.

**On October 26, 2020**, the Company appointed Andrew Beranbom as an Advisor to the CEO for the purpose of launching Immersive AR Engagement during Live Streaming Branded Music Concerts. Mr. Beranbom is the CEO & Founder of First Tube Media with current clients including GrubHub, St. Jude's Hospital and Tito's Vodka. The Company believes Mr. Beranbom will significantly accelerate the Company's presence and revenue in Live Streaming Branded Music Concerts.

**On November 20, 2020,** the Company announced it will work with Shoppers Drug Mart and the event production agency HUMANCONTACT Inc., to deliver an Immersive AR Experience to over 2500 Corporate Staff, Pharmacist-Owners, and Front Store Managers across Canada. Using the ImagineAR Custom White-label mobile app, Shoppers Drug Mart will integrate dynamic AR into the live streamed virtual event sessions.

**On November 23, 2020**, the Company is excited the RIC Centre is announcing their first Digital Main Street Community Collaboration Project, delivering augmented reality walking tours for the Streetsville Business Improvement Area (BIA) in Mississauga in time for the holiday season. Ready Set Go Design was selected as the technology partner for this project using the ImagineAR™ augmented reality (AR) platform.

**On November 25, 2020,** the Company signed a two year revenue partnership agreement with Real Sociedad, two time La Liga Champion to provide its Augmented Reality SDK Platform for fan activation and engagement. This agreement makes Real Sociedad the second La Liga team to incorporate ImagineAR SDK Augmented Reality for global fan activation and engagement.

**On December 10, 2020**, the Company announced a partnership agreement with Indian Superstar Singer Ananya Birla to spearhead the Company consumer launch in India. With over 350 million streams of her songs on streaming platforms, Ananya's fan base is growing exponentially. She also is the only multi-platinum selling English singer in India, pioneering many firsts in the global music scene.

**On January 12, 2021**, the Company is working with KABN Systems NA Holding Corp. to execute a three-year $150,000 SDK licensing agreement to launch Augmented Reality ("AR") immersive experiences integrated with Liquid Avatar (www.liquidavatar.com). Liquid Avatar empowers user to manage, control and gain value from their biometrically verified Self Sovereign Identity and personal data ownership.

**On January 25, 2021,** the Company announced e a partnership agreement with BOOK YOUR STADIUM (www.bookyourstadium.com) to deliver 'one-of-a-kind' AR experiences from historical soccer clubs in LaLiga (Spain) to fans around the world. The clubs which BOOK YOUR STADIUM is currently offering in the platform are REAL MADRID CF, REAL SOCIEDAD CF, REAL VALLADOLID CF, VALENCIACF, ATHLETIC CLUB, CAOSASUNA, REAL BETIS BALOMPIÉ, and RC CELTA. Throughout 2021, several national and international clubs are expected to join the platform.

**On January 28, 2021,** the Company announced the execution of a three-year $150,000 SDK licensing plus revenue sharing agreement to deliver Augmented Reality ("AR") immersive experiences integrated with the new IMP Event App (www.touchaprize.com). In 2019, IMP successfully delivered an AR Scavenger Hunt for the Greater Milwaukee Auto Show presented by Adamm. IMP recent Auto Show clients include: Greater Milwaukee, Alabama, St. Louis, Hawaii International, Sacramento, Orlando, Tampa and other Motor Trend shows.

**On February 1, 2021,** the Company announced Masa Ishimitsu as Advisor to CEO for Spearheading Expansion into Japan.

**On February 2, 2021,** the Company announced a three-year partnership agreement with Footsteps to Freedom LLC and Black Voice Foundation Inc., to provide a white-label mobile AR app subscription platform. This partnership will deliver immersive (AR) Augmented Reality experiences to bring history, primary source artifacts and the heroic stories of the Underground Railroad to 'life' for educational purposes. This new AR subscription platform will be the central resource of history and primary source to experience papers, books and artifacts that are over 200 years old. Financial terms of this agreement have not been disclosed.

**On February 8, 2021,** the Company announced it is providing its augmented reality self-service platform to support the Black Owned Institute for its Black History Month initiatives. The after-school initiative program is operated by BlackOwned.com which seeks to unite and catalyze the efforts of black business people to generate value in American society.

**On February 10, 2021,** the Company announced a partnership with Blue United Corporation as its official agency to launch the ImagineAR Augmented Reality Platform in Japan. Blue United clients include Kashima Antlers, Matsumoto Yamaga, Yanmar, Under Armour, Omiya Ardija and the Pacific League Marketing (holding that represents the commercial interests of 6 teams of the Japanese Baseball League) and Sevilla FC, among others.

**On February 16, 2021,** the Company announced a strategic partnership with Global Sports Initiatives (GSI). GSI markets "digital infrastructure as a monetization service" to Sports, Esports, and Leagues throughout the world.

**On February 23, 2021,** the Company announced it has been selected as one of the 40 global sports finalists for the Hype Global Virtual Accelerator 2.0 Fan Vertical Bootcamp. This year's Fan Vertical Bootcamp is focused on over 32 Sports clubs, Leagues, Federations, and Broadcasters including the St. Louis Blues, PGA tour, Philadelphia Phillies, Deutscher Fußball-Bund, and Star Sports.

**On March 1, 2021,** the Company announced a three year agreement with World Tens Series, LLC (WTS) and their partner Global Sports Initiatives (GSI). The three-year ImagineAR white-label mobile app agreement is for a $380,000 guarantee plus revenue sharing. ImagineAR and GSI announced their strategic partnership on February 16, 2021. GSI markets "digital infrastructure as a monetization service" to Sports, Esports, and Leagues throughout the world.

**On March 3, 2021,** the Company announced it has been awarded patent number US10,946,284 by the United States Patent and Trademark Office (USPTO). The patent, titled "Systems and Methods for Capture and Use of

Local Elements in Gameplay," adds to ImagineAR's deep intellectual property portfolio and is focused on location-based virtual gameplay.

**On March 10, 2021,** the Company announced that they are launching Oasis Digital Studios ("Oasis") (www.oasisdigitalstudios.com). Oasis is an agency supporting the development of AR Enhanced Non-Fungible Tokens (NFTs) together with listing, marketing, management, and other creative, avatar and digital icons, technology and blockchain services. The premier NFT artist and talent program offering is expected to launch in early April 2021.

**On March 15, 2021,** the Company announced that Oasis Digital Studios ("Oasis") is teaming up with globally renowned entrepreneur and digital diva, Ruth McCartney, and her firm McCartney Multimedia, Inc. to support the development of AR Enhanced Non-Fungible Tokens (NFTs) for the entertainment and lifestyle sectors.

**On March 17, 2021,** the Company announced Oasis Digital Studios' ("Oasis") partnership with recently launched NFT marketplace, RARE.Store. RARE.Store is a curated marketplace for iconic digital art, collectibles, and experiences, a joint venture launched by Toronto-based GDA Group, a team of digital asset experts focused across blockchain technology, and Nightshift, an artist management and creative agency. Oasis plans to drop a key selection of its upcoming Artists & Talent AR Enhanced NFT projects to RARE.Store, introducing an innovative new perspective on the rapidly growing digital collectibles sector.

**On March 22, 2021,** the Company announced a partnership with First Tube Media, a brand live content innovation platform that delivers a continuous flow of premium video content resulting in clear ROI. The new AR capabilities will premiere at Grubhub Sound Bites next episode, featuring three-time Grammy winner Megan Thee Stallion, King Princess, and Noah Cyrus on March 26 to celebrate Women's History Month.

**On March 22, 2021,** the Company announced that they have partnered with Apex Comics Group, founded by comic book industry veteran, Mariano Nicieza, to bring the PHAZER Universe and other published characters to Liquid Avatar as custom digital icons, integrated multi-media, Augmented Reality items and cinematic, AR enhanced Non-Fungible Tokens (NFTs). A sneak peek of the program will be made virtually on March 26th and 27th at Comic Con International's WonderCon.

**On March 23, 2021,** the Company announced another new three year agreement with Global Sports Initiatives (GSI). This three-year ImagineAR white-label mobile app agreement is for a $380,000 guarantee plus revenue sharing. ImagineAR and GSI initially announced their strategic partnership on February 16, 2021 and jointly announced the World Tens Series three-year partnership agreement March 1, 2021. GSI markets "digital infrastructure as a monetization service" to Sports, Esports, and Leagues throughout the world.

**On March 24, 2021,** the Company announced that Oasis Digital Studios (“Oasis”) together with McCartney Multimedia, Inc. is excited to announce that renowned photographer, artist and former music executive, May Pang (www.maypang.com), is bringing her personal and exclusive collection of John Lennon's Lost Weekend photographs featuring her intimate 18 months with the rock 'n' roll icon to the NonFungible Token (NFT) collector market through Oasis Digital Studios.

**On March 29, 2021** the Company announced the signing of a three year revenue partnership agreement with Club Atlético Mineiro to provide its Augmented Reality SDK Platform for immersive fan activation and engagement. The team competes in the Campeonato Brasileiro Serie A, the first level of Brazilian soccer, as well as in the Copa Libertadores, which is the continental tournament of South America.

**On March 29, 2021,** the Company announced that Oasis Digital Studios ("Oasis") is presenting a major online event to provide interested parties and the public with a plain English view of the Non-Fungible Token (NFT) industry and collector markets on Tuesday, April 13, 2021 at 12 pm Eastern Time (GMT -5).

**On March 30, 2021,** the Company announced that Oasis Digital Studios ("Oasis") together with McCartney Multimedia, Inc. are excited to reveal that award winning artist Shannon (www.theshannongallery.com), is bringing her exclusive collection of globally renowned paintings and music, featuring major celebrities and rock 'n' roll icons to the Non-Fungible Token (NFT) collector market through Oasis Digital Studios.

**On April 1, 2021,** the Company announced that thirteen different Sports Teams, Federations and Media Broadcasters selected ImagineAR during the Hype Sports Innovation Draft Day on March 31, 2021. The Sports Team, Federations and Media Broadcasters are Minnesota Vikings, Philadelphia Phillies, St. Louis Blues, Vegas Golden Knights, International Cricket Council (ICC), Deutscher Fußball-Bund (DFB), 1. FC Koln, Sinclair Broadcast Group, Rogers Sports & Media, Bologna FC, C.FdeF, Inter Miami, and Atletico Nacional.

**On April 7, 2021,** the Company revealed its new brand logo to represent the company's personality and the experiences it offers to users – immersive augmented reality.

**On April 9, 2021,** the Company announced two Motor Sports Organizations selected the Company during the Hype Sports Innovation Second Draft Day on April 8, 2021. The two Motor Sports Organizations are Automotive Industries and AirSpeeder.

**On April 12, 2021,** the Company announced that Liquid Avatar's Oasis Digital Studios ("Oasis") has partnered with American rapper and successful entrepreneur, Jeezy, to create an animated NFT of his iconic snowman logo. The NFT will be available starting late April 2021. A pre-sale waiting list is available for prospective purchasers and collectors on the Oasis website as of today.

**On April 12, 2021,** the Company announced that Oasis Digital Studios ("Oasis") has partnered with Apex Comics Group to publish Mr. Right, a new multimedia project by legendary Marvel Entertainment and pop culture veterans Tom DeFalco, Ron Frenz, and Sal Buscema.

**On April 13, 2021,** the Company announced two E-Sports & Gaming Teams selected the Company during the Hype Sports Innovation Final Draft Day on April 12, 2021. The two E-Sports & Gaming Teams are SK Gaming and FC Köln.

**On April 13, 2021,** the Company announced a three year revenue white label mobile app partnership agreement with Automotive Industries (AI) trade publication. Automotive Industries print audience plus Ai's online readership are the who's who of automotive decision-making, including major carmakers, system suppliers, 1st tier and major 2nd tier award winning supplier companies.

**On April 19, 2021,** the Company received notice from the US Patent and Trademark Office that a patent to its 'Systems and Methods for Creating and Delivering Augmented Reality Content' will be granted on May 4, 2021 as US Patent No. 10,997,761. This patent, the company's seventh, adds to ImagineAR's deep intellectual property portfolio and is focused on augmented reality content creation and delivery.

**On May 10, 2021,** the Company provided the following client updates:

- SlapItOnAR has launched AR promotional Initiatives with two teams in the Indoor Football League: Minnesota Blizzard and the Arizona Rattlers.
- Shopper's Drug Mart, in partnership with HumanContact Inc., is delivering another interactive and immersive AR training session with their custom white-label mobile app this month.
- Valencia CF, Real Sociedad, Club Atletico Mineiro, Liquid Avatar are expected to be live this month with the newest release of the ImagineAR SDK integrated into their mobile apps.
- White-Label mobile apps for World Tens Rugby, Global Sports Initiatives, Automotive Industries Publication, Black Voice Foundation, and HumanConnect are in development and expected to be released by Summer 2021.
- The Company is continuing with the Hype Sports Global Accelerator Program where it was selected by 18 various sports teams, leagues, and broadcasters including Vegas Knights, Sinclair Broadcasting,

Rogers Communications, Philadelphia Phillies, FC Koln and others. Company representatives have already met directly with all 18 Hype Sports Partners in the last few weeks to discuss potential proof of concepts, licensing agreements, and technology capabilities.

**On May 10, 2021,** the Company engaged Greenberg Traurig, LLP to trademark the new company logo and marks globally.

**On May 10, 2021,** the Company announced a truly historical collaboration, revealing new, never-before-seen photos of Rock Legend, John Lennon, that drops for viewing today, as part of an exclusive group of 15 limited edition photographic and animated NFTs with AR enhancements, that recount the original inspiration of John's Walls and Bridges album cover art. Music enthusiasts and John Lennon fans will be able to purchase these NFTs in two special offerings, as original format, variations, and cinematics, starting May 19 th, gaining digital ownership of a representation of a very personal time in his life. Most of these photos have never been seen publicly before and have been preserved as part of music history.

**On May 19, 2021,** the Company announce that entrepreneur and multi-platinum rapper, Jeezy, has partnered with their teams to elevate and enhance his iconic snowman logo as a limited-edition series of 5 animated and AR-enhanced NFT release with his most loyal fans in mind. This NFT release will be an ode to Jeezy's 2005 double platinum album, Let's Get It: Thug Motivation 101, which was the first album to feature the snowman image.

**On May 27, 2021,** the Company announced that has been a selected as one of the 10 finalists to participate in the Euroleague Basketball FanXP this June 2021.

**On May 28, 2021,** the Company announced that it has been a selected as one of the 10 startup finalists presenting at the DEC Association Tech Day on June 2, 2021.

**On July 2, 2021,** the Company announced Global Sports Initiatives partnered with Ryan Norman Racing to Deliver a Unique AR Experience for the Honda Indy 200 at Mid-Ohio on July 2–4, 2021.

**On July 6, 2021,** the Company announced a new three-year agreement with BLACKOWNED. This three-year ImagineAR white-label mobile app agreement is valued at $185,000 plus subscription channel revenue sharing.

**On July 12, 2021,** the Company announced Clube Atlético Mineiro integrated its new Augmented Reality SDK Platform into its mobile app and launched "Galo AR" to deliver global immersive fan activation and engagement. The kick-off AR campaign last week, featuring green screen videos of players delivered around the world, had over 12,000 interactions within 24 hours and a 3000% registration increase per day.

**On July 20, 2021**, the Company announced that Jake Parks has joined the Company as an Advisor to the CEO for the specific purposes of Sports & Entertainment products in North America. Mr. Parks spent 11 years at adidas recruiting and managing relationships with adidas' roster of elite NFL athletes. He was also responsible for developing and implementing integrated marketing plans for athletes including in-home and out-of-home advertising, social media campaigns, athlete appearances, and commercial shoots. adidas athletes included Patrick Mahomes, Dak Prescott, Von Miller, JuJu Smith-Schuster, Deandre Hopkins, Tyler Lockett, Bradley Chubb.

## 4. NATURE OF CONTINUANCE OF OPERATIONS AND GOING CONCERN

The condensed interim consolidated financial statements were prepared with 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 debt or equity financing, or generate profitable operations in the future. The Company believes it will be able to raise 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.

At May 31, 2021, the Company had a net working capital of $4,910,846 (August 31, 2020 – $4,221,228).

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 result in 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.

## 5. OUTLOOK

The Company will continue to generate awareness for its platform by marketing its technology in various verticals including retail, sports and live entertainment, education, and fundraising. As announced, the Company has established a number of strategic partnerships and alliances and performed numerous demonstrations to chief marketing officers and chief decision makers.

As the Company cycles through the sales funnel, feedback has been encouraging and a robust pipeline of new prospective opportunities is emerging. Over the next twelve months, management expects to convert these potential opportunities into revenue growth and expects to realize revenue in the form of monthly recurring revenues from licensing fees and upfront professional services fees from gaming and custom content.

## 6. DISCUSSION OF OPERATIONS

The results of operations reflect the overhead costs incurred to provide an administrative infrastructure to manage the business and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in activity of Management and Directors.

*Nine month period ended May 31, 2021 and May 31, 2020*

For the nine months ended May 31, 2021, the Company had a net loss of $5,011,611 (with basic and diluted loss per share of $0.03) compared with a net loss of $2,928,923 (with basic and diluted loss per share of $0.03) in the comparative period. During the nine months ended May 31, 2021, the Company incurred:

- revenue of $264,229 (2020 - $54,569). Revenue was primarily generated from AR SDK licensing fees, professional services fees and for custom content to provide client augmented reality experiences.

- consulting, director and management fees of $618,634 (2020 - $865,021). The decrease is mainly due to less fees accrued or paid as a number of directors resigned from the Company in fiscal 2020.

- depreciation of $19,037 (2020 - $692,649). Deprecation is due to depreciation on previously acquired intangible assets that became commercially viable during the comparative period.

- interest expense of $3,122 (2020 - $80,176). The decrease is due to interest on convertible debentures in the comparative period.

- office, rent, and miscellaneous of $165,520 (2020 - $124,847). The increase is due to increased activities during the current period.

- share-based compensation of $2,425,341 (2020 - $383,179). The increase is due to the Company's decision to compensate its officers, directors, and consultants through the grant of stock options during the current period.

- professional fees of $206,128 (2020 - $127,196). The increase is due to increased legal fees during the current period.

- shareholder communications and promotion of $682,020 (2020 - $233,957). The increase is primarily due to the Company's effort to raising awareness in the market during the current period.

- software costs of $1,025,025 (2020 - $443,216). Prior year software expenses were capitalized as the software was not yet available for use. Current period software costs were expensed as the software was available for use and commercially viable.

- forgiveness of debt of $14,047 (2020 - $Nil) due to rent payable being subsidized due to pandemic during the current period.

*Three month period ended May 31, 2021 and May 31, 2020*

For the three months ended May 31, 2021, the Company had a net loss of $2,286,447 (with basic and diluted loss per share of $0.01) compared with a net loss of $1,166,776 (with basic and diluted loss per share of $0.01) in the comparative period. During the three months ended May 31, 2021, the Company incurred:

- revenue of $99,260 (2020 - $7,392). Revenue was primarily generated from AR SaaS licensing fees and professional services fees and for custom content to provide client augmented reality experiences. The increase in revenue is due to larger contracted services provided in 2021.

- consulting, director and management fees of $296,311 (2020 - $248,987). The increase is mainly due to more fees accrued or paid to directors during the current period.

- depreciation of $5,537 (2020 - $454,685). Deprecation is due to depreciation on previously acquired intangible assets that became commercially viable during the comparative period.

- interest expense of $116 (2020 - $80,176). The decrease is due to interest on convertible debentures in the comparative period.

- professional fees of $106,375 (2020 - $34,738). The increase is due to increased legal fees during the current period.

- share-based compensation of $1,053,733 (2020 - $55,270). The increase is due to the Company's decision to compensate its officers, directors, and consultants through the grant of stock options during the current periods.

- shareholder communications and promotion of $352,334 (2020 - $96,477). The increase is primarily due to the Company's effort to raising awareness in the market during the current period.

- software costs of $483,474 (2020 - $142,611). Prior year software expenses were capitalized as the software was not yet available for use. Current year software costs were expensed as the software was available for use and commercially viable.

- forgiveness of debt of $14,047 (2020 - $Nil) due to rent payable being subsidized due to pandemic during the current period.

*Reconciliation of Non-IFRS measures*

| | Three months ended | | | | Nine months ended | | | |
|---|---|---|---|---|---|---|---|---|
| | | May 31, 2021 | | May 31, 2020 | | May 31, 2021 | | May 31, 2020 |
| Total Booking | $ | 790,000 | $ | 5,892 | $ | 1,555,000 | $ | 53,069 |
| Total Revenue | | (99,260) | | (5,892) | | (264,229) | | (53,069) |
| Backlog | $ | 690,740 | $ | - | $ | 1,290,771 | $ | - |

## 7. SUMMARY OF QUARTERLY RESULTS

The following table contains selected condensed interim consolidated financial information for the Company, prepared in accordance with IFRS, for the eight most recently completed quarters of fiscal 2021 and 2020:

| **Three Months Ended** | **May 31, 2021** | **Feb. 28, 2021** | **Nov. 30, 2020** | **Aug. 31, 2020** |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Revenue and other income | 99,260 | 89,026 | 75,943 | 1,080 |
| Loss and Comprehensive loss | (2,286,447) | (880,803) | (1,844,361) | (6,464,708) |
| Loss per Common Share | (0.01) | (0.01) | (0.01) | (0.05) |

| **Three Months Ended** | **May 31, 2020** | **Feb. 29, 2020** | **Nov. 30, 2019** | **Aug. 31, 2019** |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Revenue and other income | 5,892 | 27,023 | 20,154 | 43,500 |
| Loss and Comprehensive loss | (1,166,776) | (877,003) | (885,144) | (320,741) |
| Loss per Common Share | (0.01) | (0.01) | (0.01) | (0.02) |

## 8. LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position was $5,297,935 at May 31, 2021 compared to $4,659,437 at August 31, 2020. The Company had a working capital of $4,910,846 at May 31, 2021 (August 31, 2020 – $4,221,228). During the period ended May 31, 2021, cash flow activities consisted of:

i) cash spent on operating activities of $2,340,823 (2020 - $1,667,200) consisting of operating expenses during the current period.

ii) cash received from financing activities of $2,986,773 (2020 - $1,559,782) primarily consist of cash received from convertible debentures, proceeds from options and warrants exercised, and proceeds from loan.

iii) cash spent on investing activities of $7,452 (2020 - $Nil) primarily consist of cash used for lease obligations during the current period.

## 9. SHARE CAPITAL

As at the date of this report, the Company had 203,320,782 common shares

As at the date of this report, stock options were outstanding enabling holders to acquire shares as follows:

| Expiry Date | Exercise Price | Number of Options 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 | 0.140 | 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 | 0.28 | 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 | 0.41 | 100,000 | 100,000 |
| April 19, 2023 | 0.31 | 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 |

As at the date of this report, warrants were outstanding enabling holders to acquire shares as follows:

| Expiry Date | Exercise Price | Number of Warrants Outstanding |
|---|---|---|
| August 9, 2021 | $0.25 | 2,600,000 |
| November 5, 2021 | 0.25 | 14,120,068 |
| January 30, 2023 | 0.10 | 400,000 |
| February 25, 2023 | 0.10 | 1,595,640 |
| | | 18,715,708 |

## 10. OFF-BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet arrangements or transactions.

## 11. 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.

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.

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.

## 12. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS AND FUTURE ACCOUNTING CHANGES

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.

## 13. FINANCIAL INSTRUMENTS

**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 expectations 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** | **New classification and measurement IFRS 9** |
|---|---|
| Cash | Fair value through profit and loss |
| Receivables | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Convertible debentures – liability portion | Amortized cost |
| Loans payable | 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.

*Classification*

The Company's financial assets consists of cash, which is classified and measured at FVTPL and accounts receivable which are measured at amortized cost using the effective interest method. The Company's financial liabilities consist of accounts payable and accrued liabilities, 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.

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 | $ - | $ - |

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 raising funds to meet commitments associated with financial instrument or future media related transactions. 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 operating 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 which are 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 monetary assets and liabilities 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 monetary assets and liabilities 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.

## 14. 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.

## 15. CONTINGENCIES

The Company is unaware of exposure to any contingent liabilities.

## 16. RISKS AND UNCERTAINTIES

The Company's financial condition, results of operations and business are subject to risks. The following are identified as the main risk factors:

Financing

The Company is reliant upon financing in order to continue its operations because it does not derive any income from its assets. There is no guarantee that future sources of funding will be available to the Company. If the

Company is not able to raise additional funding in the future, it will be unable to carry out its operations.

Key Personnel

The future of the Company is dependent on the management of the Company. The departure of any of operations or management personnel or their inability to continue being functional could have an adverse impact on the Company's growth, business, financial position, and operating results.

Competition

The Company will compete with many larger companies and newcomers to the industry that will have greater financial and technical resources than the Company for the development of its applications as well as the recruitment and retention of qualified consultants and employees.