



IMAGINEAR INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MAY 31, 2022 AND 2021

(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, 2022	August 31, 2021
ASSETS		
Current		
Cash	\$ 963,000	\$ 4,205,362
Receivables (Note 5)	301,633	67,240
Prepaid expenses (Note 6)	74,087	42,911
Total current assets	1,338,720	4,315,513
Intangible asset (Note 11)	49,892	-
Reclamation bonds (Note 7)	-	5,040
Right of use asset (Note 10)	12,403	8,303
Total assets	\$ 1,401,015	\$ 4,328,856
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Notes 8 and 15)	\$ 294,644	\$ 402,487
Deferred revenue (Note 9)	47,548	16,340
Subscriptions received in advance	13,032	13,032
Lease liabilities (Note 10)	12,478	7,900
Total current liabilities	367,702	439,759
Loan payable (Note 12)	40,000	40,000
Total liabilities	407,702	479,759
Shareholders' equity		
Capital stock (Note 14)	34,388,295	34,358,920
Reserves (Note 14)	7,122,975	6,912,274
Deficit	(40,517,957)	(37,422,097)
Total shareholders' equity	993,313	3,849,097
Total liabilities and shareholders' equity	\$ 1,401,015	\$ 4,328,856

Nature and continuance of operations (Note 1)**Subsequent events** (Note 19)“Alen Paul Silverrstieen”

Director

“Mike Tunnicliffe”

Director

See accompanying notes to the condensed interim consolidated financial statements.

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,		May 31,	
	2022	2021	2022	2021
REVENUE				
Licensing income	\$ -	\$ -	\$ 176,237	\$ -
Services income	93,097	99,260	128,531	264,229
Recovery (cost) of sales	-	-	(98,839)	-
	93,097	99,260	205,929	264,229
EXPENSES				
Accretion of convertible debentures (Note 13)	-	250	-	1,260
Consulting, director and management fees (Note 15)	596,026	296,311	1,012,454	618,634
Depreciation (Note 10)	17,769	5,537	23,996	19,037
Foreign exchange loss	5,336	211	13,480	38,019
Interest	245	116	730	3,122
Office and miscellaneous	40,348	62,453	151,164	165,520
Professional fees	64,737	106,375	220,154	206,128
Share-based compensation (Notes 14 and 15)	43,413	1,053,733	210,701	2,425,341
Shareholder communications and promotion	124,857	352,334	300,199	682,020
Software (Note 16)	213,910	483,474	1,376,534	1,025,025
Transfer agent and filing fees	4,679	9,211	12,538	17,696
Travel and accommodation	14,589	5,231	34,181	6,878
Wages and salaries	26,663	24,518	90,328	81,207
	(1,152,572)	(2,399,754)	(3,446,459)	(5,289,887)
OTHER				
Bad debt expenses	(13)	-	(6,332)	-
Forgiveness of debt	9,375	14,047	9,375	14,047
Write-off of reclamation bond	-	-	(5,040)	-
Write-off of accounts payable (Notes 8 and 15)	-	-	146,667	-
	9,362	14,047	144,670	14,047
Net loss and comprehensive loss for the period	\$ (1,050,113)	\$ (2,286,447)	\$ (3,095,860)	\$ (5,011,611)
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding – basic and diluted				
	203,601,826	199,945,272	203,496,712	192,349,415

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,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (3,095,860)	\$ (5,011,611)
Items not affecting cash:		
Depreciation	23,997	19,037
Share-based compensation	210,701	2,425,341
Accretion interest on convertible debentures	-	3,122
Accretion interest on lease liabilities	730	1,260
Forgiveness of lease liabilities	-	(14,047)
Shares for services	9,375	335,000
Write-off of reclamation bond	5,040	-
Write-down of accounts payable	(146,667)	-
Change in non-cash working capital items:		
Receivables	(234,393)	(70,310)
Prepaid expenses	(31,176)	32,443
Accounts payable and accrued liabilities	38,824	(61,058)
Deferred revenue	31,208	65,590
Cash used in operating activities	(3,188,221)	(2,275,233)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from options exercised	-	91,550
Proceeds from warrants exercised	20,000	2,829,633
Cash provided by financing activities	20,000	2,921,183
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible asset	(64,458)	-
Repayment of lease liabilities	(9,683)	(7,452)
Cash used in investing activities	(74,141)	(7,452)
Change in cash	(3,242,362)	638,498
Cash, beginning of period	4,205,362	4,659,437
Cash, end of period	\$ 963,000	\$ 5,297,935
Cash paid for taxes during the period	\$ -	\$ -
Cash paid for interest during the period	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 19)

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)

	Number of shares	Capital stock	Reserves		Convertible debentures – equity component	Deficit	Total
			Share-based payment reserve	Warrant reserve			
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	1,151,000	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	191,607,468	\$ 34,337,670	\$ 5,955,641	\$ 922,649	\$ -	\$ (36,328,658)	\$ 4,887,302
Balance, August 31, 2021	203,320,782	\$ 34,358,920	\$ 5,989,625	\$ 922,649	\$ -	\$ (37,422,097)	\$ 3,849,097
Issued pursuant to warrants exercised	200,000	20,000	-	-	-	-	20,000
Shares for services	125,000	9,375	-	-	-	-	9,375
Share-based compensations	-	-	210,701	-	-	-	210,701
Net and comprehensive loss for the period	-	-	-	-	-	(3,095,860)	(3,095,860)
Balance, May 31, 2022	203,645,782	\$ 34,388,295	\$ 6,200,326	\$ 922,649	\$ -	\$ (40,517,957)	\$ 993,313

See accompanying notes to the condensed interim consolidated financial statements.

IMAGINEAR INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MAY 31, 2022 AND 2021
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)

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 Corporations Act (BC, Canada) on October 11, 2011. On April 17, 2019, the Company was continued under the Canadian Business Corporations Act. The Company’s registered 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, 2022 and 2021 comprise the Company and its subsidiaries (together referred to as the “Company”).

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.

The Company incurred a net loss and comprehensive loss of \$3,095,860 during the nine months ended May 31, 2022 (2021 - \$5,011,611) and incurred negative operating cash flows of \$3,242,362 (2021 - positive operating cash flows of \$638,498). As at May 31, 2022 the Company had an accumulated deficit of \$40,517,957 (August 31, 2021 - \$37,422,097).

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 and realize its assets and discharge its liabilities in the normal course of business. Such adjustments could be material.

2. BASIS OF MEASUREMENT AND PRESENTATION

These condensed interim consolidated financial statements, including comparatives, approved and authorized for issuance by the Board of Directors on July 29, 2022 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 condensed interim consolidated statements are based on IFRS issued and outstanding as of May 31, 2022. Any subsequent changes to IFRS that are given effect in our annual consolidated financial statements for the year ending August 31, 2022 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.

IMAGINEAR INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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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 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.

Basis of consolidation

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.

Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when an investor has existing rights that give it the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a Company's capital stock. All significant intercompany transactions and balances have been eliminated.

The controlled entities are listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership Interest at May 31, 2022	Ownership Interest at August 31, 2021	Principal Activity
Imagine AR Inc.	United States	100%	100%	Virtual reality
FameDays Inc. 3 Seconds	United States	100%	-	Virtual reality
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

The Company recognizes revenue in accordance with IFRS 15 Revenue from Contracts with Customers. Revenue represents the fair value of consideration received or receivable from customers for the transfer of control of goods or services by the Company, net of discounts and sales taxes. The Company generates revenue from technology services and licensing its patented software. Revenue is recognized when persuasive evidence of an arrangement exists, the fee is fixed or determinable, and collectability is reasonably assured.

Licensing income is recorded in deferred revenue upon invoicing and is recognized ratably over the contract term, and begins when the customer has the right-to-use and access to the software. Revenue from usage-based fees is recognized in the period in which the customer incurs the usage, at a point in time.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Technology services income is recognized over time when the services have been provided and control of the deliverable has been transferred to the customer. Payments received prior to the transfer of control of the deliverable are recorded as deferred revenue and recognized as the related services are provided. Management estimates the pace of revenue recognition based on contract milestones. The Company's arrangements with customers are evidenced by contracts with customers. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the service is distinct from some or all of the other services in the arrangement. A service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct services are combined with other services until they are distinct as a bundle and therefore form a single performance obligation.

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 except for trade receivables which are initially recognized when they are originated. 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: (i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); or (ii) 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
Cash	Fair value through profit and loss
Trade receivables	Amortized cost
Reclamation bonds	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loan payable	Amortized cost
Convertible debentures – liability component	Amortized cost

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

After initial recognition at fair value, financial liabilities are classified and measured at either: i. amortized cost; ii. FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or, iii. FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

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 or FVTOCI 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.

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.

Research and development

Expenditure on research activities is recognized on the consolidated statement of loss and comprehensive loss as incurred. Development expenditures are capitalized as part of the cost of the resulting intangible asset only if the expenditures can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Management determined that as at May 31, 2022, it was not yet able to demonstrate with sufficient certainty that it is probable that any economic benefits will flow to the Company. Accordingly, all research and development costs incurred to date have been expensed.

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 and 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.

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.

IMAGINEAR INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MAY 31, 2022 AND 2021
(EXPRESSED IN CANADIAN DOLLARS)
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment annually and 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 lives are measured at cost less any accumulated impairment losses. These intangible assets are tested for impairment on an annual basis and more frequently if there are indicators that intangible assets may be impaired.

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 of disposal 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.

Government assistance

The Company records government assistance provided there is reasonable assurance that the Company has complied and will continue to comply with all conditions of the government funding. Government assistance relating to current expenses is recognized in profit or loss and is included as a decrease to the related line item in the consolidated statements of loss and comprehensive 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, at 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 debentures 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 transaction costs are allocated between liability, equity and other (when applicable) components, on a pro-rata basis according to their carrying amounts.

IMAGINEAR INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The Canadian dollar is the functional and presentation currency of the Company and its subsidiaries. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. 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, 2022 and 2021.

Valuation of equity units issued in private placements

The Company records proceeds from issuances of equity net of issue costs and any related tax effects. The Company has adopted the 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.

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 capital stock.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

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 approval 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 using the Black-Scholes option pricing model.

Income taxes

Income tax on the profit or loss for the periods 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 statement 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 assumption that proceeds upon the exercise of the options and warrants are used to purchase common shares at the average market price during the period. During the period ended May 31, 2022 and year ended August 31, 2021, 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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease liability (continued)

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.

Critical accounting estimates

i) Share-based payments

Management measures share-based payments using the Black Scholes Option Pricing Model. Assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, employee stock option exercise behaviors and discount rates. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

ii) Convertible debt

The Company has issued convertible debentures as described in Note 13. The accounting for convertible debentures, a complex compound financial instrument, requires the Company to estimate the discount rate applicable to the Company and the instrument. Should it be determined that the discount rate was not appropriate, then the carrying value and the recognition of expenses across the life of the instrument could be materially different.

Critical accounting judgments

i) Research and development costs

Costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 Intangible Assets are met. Those criteria require that the product is technically, and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible.

New accounting standards and interpretations

There are new accounting standards, amendments to accounting standards and interpretations that are effective for annual periods beginning on or after September 1, 2021 that have not been applied in preparing the condensed interim consolidated financial statements for the period ended May 31, 2022. These standards and interpretations are not expected to have a material impact on the Company's condensed interim consolidated financial statements.

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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 consist of the components of shareholders' equity, which totaled \$993,313 at May 31, 2022.

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 plans to spend its existing working capital and raise additional amounts as needed. The Company will continue to assess additions to its media business if 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 periods 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:

	<i>May 31,</i> <i>2022</i>	<i>August 31,</i> <i>2021</i>
Sales tax receivable from the Canadian Federal Government	\$ 2,849	\$ 2,409
Trade receivables	298,784	64,831
	<u>\$ 301,633</u>	<u>\$ 67,240</u>

6. PREPAID EXPENSES

The prepaid expenses balance is comprised of the following items:

	<i>May 31,</i> <i>2022</i>	<i>August 31,</i> <i>2021</i>
Advertising and promotion	\$ 8,339	\$ 10,394
Contract costs*	38,039	-
Insurance	23,017	12,907
Management	-	13,872
Rent deposit	4,692	5,738
	<u>\$ 74,087</u>	<u>\$ 42,911</u>

* upfront revenue guarantee to facilitate contract with celebrities which the Company will recoup once the revenue threshold is met.

7. RECLAMATION BONDS

The reclamation bonds balance at May 31, 2022 of \$Nil (August 31, 2021 - \$5,040) related to the Company's previously held mineral properties. During the period ended May 31, 2022, the Company wrote-off reclamation bond of \$5,040 due to uncertainty of collection.

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8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities balance is comprised of the following items:

	<i>May 31,</i> 2022	<i>August 31,</i> 2021
Trade payables	\$ 233,661	\$ 180,293
Related parties (Note 15)	15,903	162,484
Accrued liabilities	45,080	59,710
Total	\$ 294,644	\$ 402,487

During the period ended May 31, 2022, the Company wrote-off payables of \$146,667 due to the statute of limitations on amounts having lapsed.

9. DEFERRED REVENUE

Balance, August 31, 2020	\$ 58,923
Addition	49,358
Recognized as revenue	(91,941)
Balance, August 31, 2021	16,340
Addition	65,000
Recognized as revenue	(33,792)
Balance, May 31, 2022	\$ 47,548

10. RIGHT OF USE ASSET AND LEASE LIABILITIES

The weighted average incremental borrowing rate applied to lease liabilities is 15%.

For the period ending May 31, 2022, the depreciation of the right of use assets was \$9,431. The right of use assets are depreciated on a straight-line basis over the term of the lease.

Right of use asset, August 31, 2020	\$ 17,999
Additions	12,454
Depreciation of right of use asset	(22,150)
Right of use asset, August 31, 2021	8,303
Additions	13,531
Depreciation of right of use asset	(9,431)
Right of use asset, May 31, 2022	\$ 12,403

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

For the period ending May 31, 2022, interest on the lease liabilities was \$730.

Lease liabilities, August 31, 2020	\$	19,350
Additions		12,454
Payment of lease liabilities		(11,206)
Accretion of interest		1,260
Forgiveness of rent*		(13,958)
Lease liabilities, August 31, 2021		7,900
Additions		13,531
Payment of lease liabilities		(9,683)
Accretion of interest		730
Lease liabilities, May 31, 2022	\$	12,478

* Subsidized rent costs due to COVID-19

11. INTANGIBLE ASSET

Intangible assets, August 31, 2021	\$	-
Additions		64,458
Depreciation of intangible assets		(14,566)
Intangible assets, May 31, 2022	\$	49,892

During the period ended May 31, 2022, 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.

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, 2023, after which it will incur interest at 5% per annum.

If principal of \$30,000 is repaid on or before December 31, 2023, 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 bore interest at a rate of 12% per annum and matured two years from the date of issuance. The debentures were convertible into units at a price of \$0.05 per unit and each unit consisted 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, 2021, the Company recorded accretion of \$964 for the debentures. During the year ended August 31, 2021, the Company issued 10,528 common shares and 200,000 units valued at \$11,926 pursuant to the conversion of the debentures in settlement of liabilities of \$10,647, of which \$964 was accrued interest, and accordingly, the Company reallocated \$1,279 of the convertible debenture equity portion to capital stock.

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13. CONVERTIBLE DEBENTURES (continued)

	<i>Liability</i>	<i>Equity</i>	<i>Total</i>
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 11,562,568 common shares	(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 common shares	(10,647)	(1,279)	(11,926)
Balance August 31, 2021	\$ -	\$ -	\$ -

On February 25, 2020, the Company issued convertible debentures in the principal amount of \$944,782. Each debenture bore interest at a rate of 12% per annum and matured two years from the date of issuance. The debentures were convertible into units at a price of \$0.05 per unit and each unit consisted 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 \$32,900 cash and 184,900 broker's warrants valued at \$9,155. During the year ended August 31, 2021, the Company recorded accretion of interest of \$2,158 for the debentures.

During the year ended August 31, 2021, the Company issued 56,945 common shares and 1,495,640 units valued at \$80,909 pursuant to the conversion of the debentures in settlement of liabilities of \$71,699, of which \$9,455 was accrued interest, and accordingly, the Company reallocated \$9,210 of the convertible debenture equity portion to capital stock.

	<i>Liability</i>	<i>Equity</i>	<i>Total</i>
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 17,858,662 common shares	(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 common shares	(71,699)	(9,210)	(80,909)
Balance August 31, 2021	\$ -	\$ -	\$ -

The fair value of the liability component at the time of issuance was calculated with the discounted cash flows for the convertible notes, applying a 20% interest rate for 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.

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14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS**Capital stock**

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

During the period ended May 31, 2022, the Company:

- i) issued 200,000 common shares pursuant to the exercise of warrants for proceeds of \$20,000.
- ii) issued 125,000 common shares valued at \$9,375 for consulting services.

During the year ended August 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 capital stock.
- 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 capital stock.
- 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 capital stock.
- iv) issued 625,000 common shares valued at \$191,250 for promotional services.
- v) issued 500,000 common shares valued at \$165,000 for consulting services.

Share purchase warrants

At May 31, 2022 warrants were outstanding enabling holders to acquire shares as follows:

Expiry Date	Exercise Price (\$)	Number of warrants	Remaining contractual life (years)
January 30, 2023	0.10	200,000	1.17
February 25, 2023	0.10	1,595,640	1.24
		1,795,640	

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14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (continued)**Share purchase warrants (continued)**

The following is a summary of the warrant transactions during the nine months ended May 31, 2022 and year ended August 31, 2021:

	<i>Period ended</i> <i>May 31, 2022</i>		<i>Year ended</i> <i>August 31, 2021</i>	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of the period	16,115,708	\$ 0.24	31,953,539	\$ 0.24
Warrants issued - pursuant to convertible debentures	-	-	1,695,640	0.10
Warrants exercised	(200,000)	0.10	(13,233,471)	0.21
Warrants expired	(14,120,068)	0.25	(4,300,000)	0.27
Balance, end of period	1,795,640	\$ 0.10	16,115,708	\$ 0.23

The weighted average share price on the date of exercise of the warrants was \$0.16 (August 31, 2021 - \$0.21).

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14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (continued)**Stock options**

The Company grants stock options pursuant to its 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 ten years.

As at May 31, 2022, the following incentive stock options were outstanding:

Expiry Date	Exercise price (\$)	Number of Options Outstanding	Exercisable
July 4, 2022*	0.26	250,000	250,000
August 18, 2022	0.14	325,000	325,000
September 8, 2022	0.125	300,000	300,000
September 12, 2022	0.125	100,000	100,000
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	100,000
February 10, 2023	0.25	25,000	25,000
February 19, 2023	0.10	750,000	750,000
February 23, 2023	0.34	250,000	250,000
March 7, 2023	0.075	200,000	200,000
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
July 15, 2023	0.15	25,000	25,000
July 19, 2023	0.135	250,000	150,000
October 2, 2023	0.25	2,750,000	2,750,000
October 14, 2023	0.135	250,000	250,000
October 19, 2023	0.135	100,000	100,000
October 19, 2023	0.135	100,000	75,000
December 1, 2023	0.11	100,000	50,000
December 13, 2023	0.13	250,000	100,000
March 3, 2024	0.075	125,000	50,000
April 1, 2024	0.41	1,000,000	1,000,000
April 11, 2024	0.60	1,000,000	1,000,000
April 13, 2024	0.405	250,000	166,667
May 14, 2024	0.90	500,000	500,000
January 13, 2025	0.10	200,000	200,000
April 25, 2025	0.50	250,000	100,000
February 25, 2027	0.075	750,000	750,000
		12,362,500	11,729,167

* expired subsequent to May 31, 2022

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14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (continued)**Stock options (continued)**

The following is a summary of the option transactions during the nine months ended May 31, 2022 and year ended August 31, 2021:

	<i>Period ended</i> <i>May 31, 2022</i>		<i>Year ended</i> <i>August 31, 2021</i>	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the period	15,579,600	\$ 0.28	8,107,100	\$ 0.24
Options granted	2,075,000	0.10	9,150,000	0.27
Options exercised	-	-	(1,515,000)	0.07
Options expired	(5,292,100)	0.24	(162,500)	0.12
Balance, end of the period	12,362,500	\$ 0.27	15,579,600	\$ 0.28

The weighted average share price on the date of exercise of the options was \$Nil (August 31, 2021 - \$0.07).

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, 2022 and year ended August 31, 2021:

	<i>Period ended</i> <i>May 31, 2022</i>	<i>Year ended</i> <i>August 31, 2021</i>
Risk-free interest rate	1.29%	0.30%
Expected life of options	3.09 years	2.77 years
Expected annualized volatility	168.68%	187.86%
Exercise price	\$0.101	\$0.273
Expected dividend rate	0%	0%

The weighted average fair value of options granted during the period ended May 31, 2022 was \$0.09 (August 31, 2021 – \$0.32).

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15. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them.

Amounts paid or accrued to related parties are as follows:

	<i>For the period ended</i>	
	<i>2022</i>	<i>May 31, 2021</i>
Consulting, director, and management fees	\$ 268,738	\$ 151,907
Share-based compensation	53,007	1,067,055
Total	\$ 321,7465	\$ 1,218,962

The table above includes:

- i) management and consulting fees of \$250,738 (2021 - \$219,267), to the CEO of the Company.
- ii) consulting fees of \$18,000 (2021 - \$18,000) to the CFO of the Company.

As of May 31, 2022, \$15,903 (August 31, 2021 - \$162,484) remained outstanding to related parties and is included in accounts payable and accrued liabilities. During the period ended May 31, 2022, the Company wrote-off payables of \$146,667 owed to former directors due to the statute of limitations on the outstanding amounts have lapsed.

During the period ended May 31, 2022, the Company issued 750,000 (2021 – 5,250,000) stock options to an officer and directors of the Company, resulting in share-based compensation of \$53,007 (2021 - \$1,067,055).

During the year ended August 31, 2021, the Company issued 6,750,000 stock options to an officer and directors of the Company, resulting in share-based compensation of \$1,830,160.

During the year ended August 31, 2021, the Company issued 1,448,000 common shares 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 for the settlement of convertible debentures 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. The conversion included 1,395,640 warrants exercisable at a price of \$0.10 expiring on February 25, 2023.

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16. SOFTWARE

The software activity expensed during the year is comprised of the following items:

	<i>For the period ended</i>	
	<i>2022</i>	<i>May 31, 2021</i>
Research	\$ 344,134	\$ 256,257
Development of new features, architecture, and functions	1,032,400	768,768
	<u>\$ 1,376,534</u>	<u>\$ 1,025,025</u>

17. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's consolidated financial statements are summarized below. There have been no changes to the Company's approach to mitigating risk exposures during the period ended May 31, 2022.

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 instruments measured at fair value on the consolidated 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. Cash is Level 1 for the periods presented.

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. The maximum exposure to credit risk is the aggregate carrying amount of cash, trade receivables, amounts due from related parties, and reclamation bonds.

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17. FINANCIAL RISK FACTORS (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure it has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from private placements, option exercises and warrant exercises 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, 2022, the Company had \$294,644 (August 31, 2021 - \$402,487) of accounts payable and accrued liabilities due on standard trade payable terms not exceeding 90 days.

Interest rate risk

Interest rate 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. As at May 31, 2022, 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 or 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, 2022, the Company has US\$148,052 included in cash, US\$150,825 included in accounts payable and accrued liabilities. A 5% change in the exchange rate would result in a \$139 change in profit or loss.

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions for the year ended August 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).