



IMAGINEAR INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022

(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ImagineAR Inc.:

Opinion

We have audited the consolidated financial statements of ImagineAR Inc. and its subsidiaries (together the "Company"), which comprise the consolidated statements of financial position as at August 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended August 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section of our auditor's report, we have determined that there are no other key audit matters to communicate in our report.

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Simi Sodhi.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.
December 29, 2023

IMAGINEAR INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT AUGUST 31,

	2023	2022
ASSETS		
Current		
Cash	\$ 110,750	\$ 481,242
Receivables (Note 5)	14,887	26,649
Prepaid expenses (Note 6)	80,885	29,352
Deferred contract costs (Note 6)	-	81,501
Total current assets	206,522	618,744
Right of use asset (Note 9)	-	9,021
Intangible assets (Note 10)	2,903	15,365
Total assets	\$ 209,425	\$ 643,130
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Notes 7 and 13)	\$ 1,003,429	\$ 520,406
Deferred revenue (Note 8)	11,856	19,560
Loan payable (Note 11)	53,032	13,032
Lease liabilities (Note 9)	-	9,243
Total current liabilities	1,068,317	562,241
Loan payable (Note 11)	-	40,000
Total liabilities	1,068,317	602,241
Shareholders' equity (deficiency)		
Capital stock (Note 12)	34,886,490	34,388,295
Shares to be issued (Note 12)	116,480	-
Reserves (Note 12)	7,414,297	7,141,752
Deficit	(43,276,159)	(41,489,158)
Total shareholders' equity (deficiency)	(858,892)	40,889
Total liabilities and shareholders' equity (deficiency)	\$ 209,425	\$ 643,130

Nature and continuance of operations (Note 1)

Subsequent events (Note 18)

“Alen Paul Silverstien”

Director

“Mike Tunncliffe”

Director

See accompanying notes to the consolidated financial statements.

IMAGINEAR INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED AUGUST 31,

	2023	2022
REVENUE (LOSS)		
Licensing income	\$ 192,657	\$ 48,281
Services income	-	13,065
Cost of sales	(102,388)	(135,040)
	90,269	(73,694)
EXPENSES		
Bad debt expenses	173,547	39,952
Consulting, director and management fees (Note 13)	250,421	1,218,954
Depreciation (Notes 9 and 10)	16,972	20,981
Foreign exchange	11,078	11,603
Interest expense (Note 9)	379	1,158
Office and miscellaneous	170,550	192,421
Professional fees	259,267	366,818
Share-based compensation (Notes 12 and 13)	272,545	229,478
Shareholder communications and promotion	234,784	300,737
Software (Note 14)	434,662	1,567,360
Transfer agent and filing fees	22,974	30,082
Travel and accommodation	-	32,462
Wages and salaries	70,627	122,988
	(1,917,806)	(4,134,994)
OTHER		
Write-off of deferred contract costs (Note 6)	(81,501)	-
Write-off of reclamation bond	-	(5,040)
Write-off of right of use asset (Note 9)	(4,748)	-
Recovery of accounts payable (Note 7)	126,785	146,667
	40,536	141,627
Net loss and comprehensive loss for the year	\$ (1,787,001)	\$ (4,067,061)
Basic and diluted net loss per common share	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	207,163,253	203,546,946

See accompanying notes to the consolidated financial statements.

IMAGINEAR INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED AUGUST 31

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (1,787,001)	\$ (4,067,061)
Items not affecting cash:		
Depreciation	16,972	20,981
Foreign exchange loss	11,078	-
Interest expense	379	1,158
Share-based compensation	272,545	229,478
Shares for services	188,800	9,375
Write-off of reclamation bond	-	5,040
Write-off of right of use asset	4,748	-
Recovery of accounts payable	(126,785)	(146,667)
Changes in non-cash working capital items:		
Receivables	11,762	40,591
Prepaid expenses	(56,507)	13,559
Accounts payable and accrued liabilities	599,483	264,586
Deferred contract costs	81,501	(81,501)
Deferred revenue	(8,457)	3,220
Cash used in operating activities	(791,482)	(3,707,241)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement	425,875	-
Proceeds from warrants exercised	-	20,000
Cash provided by financing activities	425,875	20,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible asset	-	(23,533)
Repayment of lease liabilities	(4,885)	(13,346)
Cash used in investing activities	(4,885)	(36,879)
Change in cash	(370,492)	(3,724,120)
Cash, beginning of year	481,242	4,205,362
Cash, end of year	\$ 110,750	\$ 481,242
Cash paid for taxes during the year	\$ -	\$ -
Cash paid for interest during the year	\$ -	\$ -
Supplemental disclosure with respect to Cash Flows (Note 16)		

See accompanying notes to the consolidated financial statements.

IMAGINEAR INC.**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(EXPRESSED IN CANADIAN DOLLARS)**

	Number of shares	Capital stock	Reserves		Shares to be issued	Deficit	Total
			Share-based payment reserve	Warrant reserve			
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 compensation	-	-	229,478	-	-	-	229,478
Net and comprehensive loss for the year	-	-	-	-	-	(4,067,061)	(4,067,061)
Balance, August 31, 2022	203,645,782	34,388,295	6,219,103	922,649	-	(41,489,158)	40,889
Issued pursuant to private placement	12,905,315	425,875	-	-	-	-	425,875
Shares for services	584,936	72,320	-	-	116,480	-	188,800
Share-based compensation	-	-	272,545	-	-	-	272,545
Net and comprehensive loss for the year	-	-	-	-	-	(1,787,001)	(1,787,001)
Balance, August 31, 2023	217,136,033	\$ 34,886,490	\$ 6,491,648	\$ 922,649	\$ 116,480	\$ (43,276,159)	\$ (858,892)

See accompanying notes to the consolidated financial statements.

IMAGINEAR INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022
(EXPRESSED IN CANADIAN DOLLARS)

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 #250 – 750 West Pender Street, Vancouver, BC, V6C 2T7.

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

The consolidated financial statements of the Company as at, and for the years ended August 31, 2023 and 2022 comprise the Company and its subsidiaries (together referred to as the “Company”).

The consolidated financial statements have been prepared on the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, complete additional equity financing, and generate profitable operations in the future. Management believes it will be successful in raising the necessary funding to continue operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all.

The Company incurred a net loss and comprehensive loss of \$1,787,001 during the year ended August 31, 2023 (2022 - \$4,067,061) and incurred negative operating cash flows of \$791,482 (2022 - \$3,707,241). As at August 31, 2023, the Company had an accumulated deficit of \$43,276,159 (2022 - \$41,489,158).

There is a material uncertainty related to these conditions 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 consolidated financial statements were approved and authorized for issuance by the Board of Directors on December 29, 2023 have been prepared using International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). The policies applied in these consolidated statements are based on IFRS issued and outstanding as of August 31, 2023.

These 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 subsidiaries is the Canadian dollar.

IMAGINEAR INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022
(EXPRESSED IN CANADIAN DOLLARS)

2. BASIS OF MEASUREMENT AND PRESENTATION (continued)

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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 material intercompany transactions and balances have been eliminated.

The controlled subsidiaries are listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership Interest at August 31, 2023	Ownership Interest at August 31, 2022	Principal Activity
Imagine AR Inc.	United States	100%	100%	Virtual reality
FameDays Inc.	United States	100%	100%	Virtual reality
3 Seconds Holdings Inc.	Canada	66.67%	66.67%	Movie production (dormant)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all periods presented in these 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.

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.

IMAGINEAR INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022
(EXPRESSED IN CANADIAN DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Contract Costs

The Company defers contract costs that are direct and incremental to obtaining contracts. Deferred contract costs consist of guarantees paid. These fees for initial contracts are amortized over the estimated period of time the corresponding products are available for use in proportion to the revenue recognized. The Company classifies deferred contract costs as current or non-current based on when the Company expects to recognize the expense. Current and non-current deferred contract costs are included on the Company's consolidated statements of financial position. Deferred contract costs are periodically reviewed for impairment.

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 using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial assets 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).

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.

IMAGINEAR INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022
(EXPRESSED IN CANADIAN DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

Financial Assets and Liabilities	Classification and measurement
Cash	FVTPL
Trade receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loan 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 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 in the period incurred.

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 in profit or 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 August 31, 2023, 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.

IMAGINEAR INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022
(EXPRESSED IN CANADIAN DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Identifiable intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are valued at fair value as at the date of acquisition.

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

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment 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 is 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.

Intangible assets are being depreciated using the straight-line method over their estimated useful life of 2 years.

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 if there is an 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 grants

The Company recognizes government grants when it is probable that the grant will be received, and all grant conditions are complied with. When the grant is in the form of a forgivable loan, the loan is initially recognized as a deferred income liability. The Company then relieves the deferred income liability on a systematic and rational basis in those periods over which the entity recognizes the expenses that the grant is intended to offset. The Company recognizes the impact of the loan forgiveness as an offset against related expense.

Assistance for operating expenses is recorded as a reduction of expenses when the assistance is receivable.

A forgivable loan from the government is treated as government assistance when there is reasonable assurance that the Company will meet the terms for forgiveness of the loan. If there is no reasonable assurance that the entity will meet the terms for forgiveness of the loan, the loan is recognized as a liability in accordance with IFRS 9 Financial Instruments. The liability would become a government grant (forgivable loan) when there is reasonable assurance that the entity will meet the terms of forgiveness.

IMAGINEAR INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(EXPRESSED IN CANADIAN DOLLARS)

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 Company 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 August 31, 2023 and 2022.

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 the common shares are issued. 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

Current income 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. 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.

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.

Income (loss) per share

Basic income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. Diluted income per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period. The “treasury stock method” is used for the 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. Diluted loss per share is equivalent to basic loss per share, as the effect of potentially dilutive equity instruments is anti-dilutive when the Company is in a loss position.

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 could materially affect the fair value estimates.

ii) Provision for expected credit losses

The Company maintains a provision for expected credit losses that may arise if any of its customers are unable to make required payments. If the Company determines that the financial condition of any of its customers with outstanding accounts receivable has deteriorated significantly, increases in the provision may be made to reduce the Company's accounts receivable balance accordingly.

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 under 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

New standards, interpretations, amendments and improvements to existing standards with future effective dates have been reviewed by management and are either not applicable or not expected to have a significant impact on the Company's 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' deficiency, which totaled \$858,892 at August 31, 2023.

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 years presented. The Company is not subject to externally imposed capital requirements.

5. RECEIVABLES

The receivables balance is comprised of the following items:

	<i>August 31,</i> <i>2023</i>	<i>August 31,</i> <i>2022</i>
Sales tax receivable from the Canadian Federal Government	\$ 14,512	\$ 3,792
Trade receivables	375	22,857
	<u>\$ 14,887</u>	<u>\$ 26,649</u>

Trade receivables are net of a provision for uncollectable amounts of \$173,547 (2022 - \$39,952).

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6. PREPAID EXPENSES AND DEFERRED CONTRACT COSTS

The prepaid expenses balance is comprised of the following items:

	<i>August 31,</i> <i>2023</i>	<i>August 31,</i> <i>2022</i>
Advertising and promotion	\$ 63,076	\$ 8,363
Insurance	17,809	16,164
Rent deposit	-	4,825
	<u>\$ 80,885</u>	<u>\$ 29,352</u>

During the year ended August 31, 2022, the Company recorded upfront revenue guarantees of \$81,501 pursuant to terms of various agreements. During the year ended August 31, 2023, the Company determined that it would not be able to recover these costs from future augmented reality content revenue and expensed the deferred contract costs.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<i>August 31,</i> <i>2023</i>	<i>August 31,</i> <i>2022</i>
Trade payables	\$ 881,685	\$ 384,775
Related parties (Note 13)	16,800	16,356
Accrued liabilities	104,944	119,275
Total	<u>\$ 1,003,429</u>	<u>\$ 520,406</u>

During the year ended August 31, 2023, the Company recovered accounts payable of \$126,785 (2022 - \$146,667) due to the statute of limitations on amounts having lapsed.

8. DEFERRED REVENUE

Balance, August 31, 2021	\$ 16,340
Additions	19,560
Recognized as revenue	(16,340)
Balance, August 31, 2022	19,560
Recognized as revenue	(8,468)
Foreign exchange translation	764
Balance, August 31, 2023	<u>\$ 11,856</u>

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9. RIGHT OF USE ASSET AND LEASE LIABILITIES

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

For the year ending August 31, 2023, the depreciation of the right of use assets was \$4,510. The right of use asset is depreciated on a straight-line basis over the term of the lease.

Right of use asset, August 31, 2021	\$	8,303
Additions		13,531
Depreciation of right of use asset		(12,813)
Right of use asset, August 31, 2022		9,021
Depreciation of right of use asset		(4,510)
Write-off of right of use asset		(4,511)
Right of use asset, August 31, 2023	\$	-

For the year ending August 31, 2023, interest on the lease liabilities was \$379 (2022 - \$1,158).

Lease liabilities, August 31, 2021	\$	7,900
Additions		13,531
Payment of lease liabilities		(13,346)
Accretion of interest		1,158
Lease liabilities, August 31, 2022		9,243
Accretion of interest		379
Payment of lease liabilities		(9,622)
Lease liabilities, August 31, 2023	\$	-

During the year August 31, 2023, the Company terminated the office rental agreement before the end of term which resulted in a loss of \$4,748 consisting of \$4,511 for the write-off of the right of use asset and \$237 from foregoing a security deposit.

10. INTANGIBLE ASSETS

Intangible assets, August 31, 2021	\$	-
Additions		23,533
Depreciation of intangible assets		(8,168)
Intangible assets, August 31, 2022		15,365
Depreciation of intangible assets		(12,462)
Intangible assets, August 31, 2023	\$	2,903

During the year ended August 31, 2023, intangible assets, comprising a mobile software platform and applications for augmented reality content, were commercially viable and available for use.

11. 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 January 18, 2024, after which it will incur interest at 5% per annum.

If principal of \$30,000 is repaid on or before January 18, 2024, the remaining \$10,000 will be forgiven.

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

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

During the year ended August 31, 2023, the Company:

- i) closed a non-brokered private placement financing for aggregate gross proceeds of \$425,875. The Company issued 12,905,315 units at a price of \$0.033 per unit. Each unit comprised of one common share and one non-transferable share purchase warrant, with each warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.05 for a period of up to thirty-six months from the date of issue. Warrants were valued at \$Nil using the residual value method.
- ii) issued 584,936 common shares valued at \$72,320 for consulting services. Fair value of the common shares was determined using the cost of the services provided.

During the year ended August 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. Fair value of the common shares was determined using the trading price on the date the common shares were issued.

Shares to be issued

During the year ended August 31, 2023, the Company recorded 2,296,727 common shares at a fair value of \$116,480 as shares to be issued under a consulting agreement with a third party.

Share purchase warrants

At August 31, 2023, the following warrants were outstanding:

Expiry Date	Exercise price (\$)	Number of Warrants Outstanding	Exercisable
May 29, 2026	0.05	12,905,315	12,905,315
		12,905,315	12,905,315

The following is a summary of the warrant transactions during the years ended August 31, 2023 and 2022:

	<i>Year ended</i> <i>August 31, 2023</i>		<i>Year ended</i> <i>August 31, 2022</i>	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of the year	1,795,640	\$ 0.10	16,115,708	\$ 0.23
Warrants granted	12,905,315	0.05	-	-
Warrants exercised	-	-	(200,000)	0.10
Warrants expired	(1,795,640)	0.10	(14,120,068)	0.25
Balance, end of year	12,905,315	\$ 0.05	1,795,640	\$ 0.10

The weighted average share price on the date of exercise of the warrants was \$Nil (2022 - \$0.16).

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12. 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 August 31, 2023, the following incentive stock options were outstanding:

Expiry Date	Exercise price (\$)	Number of Options Outstanding	Exercisable
October 2, 2023*	0.25	2,750,000	2,750,000
October 14, 2023*	0.155	250,000	250,000
October 19, 2023*	0.135	100,000	100,000
October 19, 2023*	0.135	100,000	100,000
December 13, 2023*	0.13	250,000	250,000
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	250,000
May 14, 2024	0.90	500,000	500,000
January 13, 2025	0.10	200,000	200,000
January 23, 2025	0.035	250,000	250,000
February 22, 2025	0.05	500,000	500,000
April 25, 2025	0.05	250,000	200,000
June 5, 2025	0.05	200,000	200,000
June 9, 2025	0.065	200,000	200,000
June 5, 2026	0.05	900,000	900,000
June 27, 2026	0.05	5,750,000	5,250,000
February 25, 2027	0.075	500,000	500,000
		14,950,000	14,400,000

* options expired subsequent to August 31, 2023

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

The following is a summary of the option transactions during the years ended August 31, 2023 and 2022:

	<i>Year ended</i> <i>August 31, 2023</i>		<i>Year ended</i> <i>August 31, 2022</i>	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the year	11,987,500	\$ 0.27	15,579,600	\$ 0.28
Options granted	8,350,000	0.05	2,275,000	0.10
Options expired	(5,387,500)	0.16	(5,867,100)	0.24
Balance, end of the year	14,950,000	\$ 0.19	11,987,500	\$ 0.27

The outstanding options at August 31, 2023, had a weighted average remaining life of 1.67 years (2022 – 1.29 years).

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted for the years ended August 31, 2023 and 2022:

	<i>Year ended</i> <i>August 31, 2023</i>	<i>Year ended</i> <i>August 31, 2022</i>
Risk-free interest rate	4.11%	1.45%
Expected life of options	2.89 years	3.08 years
Expected annualized volatility	154.40%	169.17%
Exercise price	\$0.051	\$0.098
Expected dividend rate	0%	0%

The weighted average fair value of options granted during the year ended August 31, 2023 was \$0.03 (2022 – \$0.10).

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13. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Related parties include key management personnel and any companies owned or controlled by key management personnel. Key management personnel include the Board of Directors and Executive Officers.

Amounts paid or accrued to key management personnel are as follows:

	<i>For the years ended August 31,</i>	
	<i>2023</i>	<i>2022</i>
Consulting, director, and management fees	\$ 172,703	\$ 359,819
Share-based compensation	155,071	53,007
Total	\$ 327,774	\$ 412,826

The table above includes:

- i) management and consulting fees of \$148,703 (2022 - \$335,819), to the CEO of the Company.
- ii) consulting fees of \$24,000 (2022 - \$24,000) to the CFO of the Company.

During the year ended August 31, 2023, the Company issued 4,800,000 (2022 – 750,000) stock options to an officer and directors of the Company, resulting in share-based compensation of \$155,071 (2022 - \$53,007).

As of August 31, 2023, \$16,800 (2022 - \$16,356) remained outstanding to related parties and is included in accounts payable and accrued liabilities.

During the year ended August 31, 2023, accounts payable of \$32,474, owed to the CEO, were written off.

14. SOFTWARE

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

<i>For the years ended August 31,</i>	<i>2023</i>	<i>2022</i>
Research	\$ 108,665	\$ 391,840
Development of new features, architecture, and functions	325,997	1,175,520
	\$ 434,662	\$ 1,567,360

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15. 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 year ended August 31, 2023.

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 short-terms to 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 measured at fair value using Level 1 inputs for the years 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 trade receivables. The maximum exposure to credit risk is the aggregate carrying amount of cash and trade receivables of \$111,125 (2022 - \$504,099). 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, which are immaterial in amount. Management does not consider the Company to have significant concentrations of credit risk. Management analyzes the age of outstanding customer balances, historical bad debt experience, current economic conditions, forward-looking information, customer credit-worthiness and changes in customer payment terms when making estimates of collectability of the Company's accounts receivable balance. As of August 31, 2023, the Company wrote off \$173,547 (2022 - \$39,952) of trade receivable due to uncertainty with collectability.

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 August 31, 2023, the Company had cash of \$110,750 (2022 - \$481,242) to settle \$1,003,429 (2022 - \$520,406) of accounts payable and accrued liabilities due on standard trade payable terms not exceeding 90 days. The Company's management of liquidity risk has not changed materially from that of the prior year.

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15. FINANCIAL RISK FACTORS (continued)Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk, and other price risk. The Company's management of and exposure to market risk has not changed materially from that of the prior year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at August 31, 2023, the Company has cash balances and no material interest-bearing debt, therefore, interest rate risk is considered to be immaterial.

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 August 31, 2023, the Company has US\$17,863 included in cash, US\$292,684 included in accounts payable and accrued liabilities. A 5% change in the exchange rate would result in an \$18,610 change in profit or loss.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Company is not exposed to material other price risk.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash investing and financing transactions for the year ended August 31, 2023.

Significant non-cash investing and financing transactions for the year ended August 31, 2022 consisted of:

- i) recorded right of use asset of \$13,531 for leased office.

17. INCOME TAXES

The reconciliation between tax provision (recovery) and the amounts computed by applying the statutory tax rate to the loss before income taxes is as follows:

	2023	2022
Loss for the year	\$ (1,787,001)	\$ (4,067,061)
Tax recovery at the statutory rate – 27%	\$ (482,000)	\$ (1,098,000)
Change in statutory, foreign tax, foreign exchange rates and other	12,000	-
Non-deductible expenses	76,000	65,000
Change in estimate	-	29,000
Change in unrecognized deductible temporary differences	394,000	1,004,000
Tax provision (recovery) recognized in the year	\$ -	\$ -

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17. INCOME TAXES (continued)

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

	2023	2022
Deferred Tax Assets (liabilities)		
Intangible assets	\$ 685,000	\$ 681,000
Allowable capital losses	3,000	3,000
Non-capital losses available for future periods	5,389,000	4,999,000
	6,077,000	5,683,000
Unrecognized deferred tax assets	(6,077,000)	(5,683,000)
Total	\$ -	\$ -

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

	2023	Expiry Date Range	2022	Expiry Date Range
Temporary Differences				
Share issue costs	-	N/A	1,000	2023
Intangible assets	2,536,000	No expiry date	2,524,000	No expiry date
Allowable capital losses	10,000	No expiry date	10,000	No expiry date
Non-capital losses available for future periods	19,959,000	2032-2043	18,516,000	2032 to 2042

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

18. SUBSEQUENT EVENTS

Subsequent to August 31, 2023, the Company:

- i) closed a non-brokered private placement and issued 36,700,000 units at a price of \$0.021 per unit for gross proceeds of \$770,700. Each unit is comprised of one common share and one non-transferable common share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of \$0.05 for a period of thirty-six months from the closing of the offering. A total of \$6,216 cash finder's fees were paid and 296,000 broker's warrants were issued in connection with the private placement.
- ii) entered into an agreement with a director of the Company, and an arm's length individual to which the Company issued 10,000,000 common shares in consideration of a refundable deposit into escrow on behalf of the Company for the potential purchase of a property located in the Southern United States.
- iii) under a previous third-party agreement to receive promotional services, issued 700,000 common shares. An additional 700,000 common shares are required to be issued on March 1, 2024, under the same agreement.