CLOUD NINE
WEB3 TECHNOLOGIES

CLOUD NINE WEB3 TECHNOLOGIES INC.

(Formerly Cloud Nine Education Group Ltd.)

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and six months ended March 31, 2021 and 2020

(In Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATMENTS

In accordance with National instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the Interim Financial Statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. 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.

Cloud Nine Web3 Technologies Inc.
(Formerly Cloud Nine Education Group Ltd.)

Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

	Notes	March 31, 2021	September 30, 2020
		$	$
Assets			
Current			
Cash		3,010,982	2,537
GST recoverable		89,656	-
Prepaids and other assets		809,809	1
		3,910,447	2,538
Intangible assets	3	5,106,531	55,606
Capital assets		4,136	-
		9,021,114	58,144
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		280,364	372,550
Income taxes payable		18,140	18,140
Loans and borrowings	4,6	139,500	129,500
Convertible debenture	5	845,270	274,000
		1,283,274	794,190
Loans and borrowings	4	223,032	197,507
		1,506,306	991,697
Shareholders' equity			
Share capital	7	13,986,029	3,892,156
Reserves	7	310,791	113,401
Deficit		(6,782,012)	(4,939,110)
		7,514,808	(933,553)
		9,021,114	58,144

Nature of operations and going concern	1
Subsequent events	4(c), 5(b), 6(b), 12

Approved on behalf of the Board of Directors:

"Allan Larmour" (Signed)
Director

"Dalton Larson" (Signed)
Director

Cloud Nine Web3 Technologies Inc.

(Formerly Cloud Nine Education Group Ltd.)

Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended March 31, 2021	2020	Six months ended March 31, 2021	2020
		$	$	$	$
Revenue					
Curriculum sales		-	-	-	9,870
		-	-	-	9,870
Expenses					
Advertising and promotion		420,611	-	420,611	-
Amortization of intangible and capital assets		7,793	16,995	24,192	34,536
Consulting fees		427,580	4,000	427,580	218,692
Investor and public relations		229,311	-	229,311	12,109
Marketing		446,317	-	446,317	-
Office		42,839	-	42,839	-
Professional fees		69,123	11,270	76,998	18,661
Regulatory and transfer agent fees		43,524	7,458	45,887	11,127
Salaries and benefits		26,503	36,082	26,503	85,277
Share-based compensation	9	156,708	-	156,708	47,400
		1,870,309	75,805	1,896,946	427,802
Loss before other items		(1,870,309)	(75,805)	(1,896,946)	(417,932)
Other items					
Finance costs		(44,662)	(7,609)	(54,651)	(15,302)
Government grant	4	(7,804)	-	4,249	-
Other income		83,369	-	83,369	-
		30,903	(7,609)	32,967	(15,302)
Net loss and comprehensive loss for the period		(1,839,406)	(83,414)	(1,863,979)	(433,234)
Basic and diluted loss per share		(0.05)	(0.00)	(0.04)	(0.03)
Weighted average number of shares outstanding		36,708,828	16,843,279	42,278,031	16,843,279

The accompanying notes are an integral part of these consolidated financial statements.

Cloud Nine Web3 Technologies Inc.

(Formerly Cloud Nine Education Group Ltd.)

Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited - Expressed in Canadian dollars)

		Share capital		Reserves					
	Note	Number	Amount	Stock Options and warrants	Convertible debentures	Total reserves	Subscriptions Received	Deficit	Total
		#	$	$	$	$	$	$	$
Balance, September 30, 2020	2(a)	16,857,050	3,892,156	113,401	-	113,401	-	(4,939,110)	(933,553)
Shares issued for equity financings	7	9,447,307	2,834,192	-	-	-	-	-	2,834,192
Share issue costs		-	(186,401)	23,054	-	23,054	-	-	(163,347)
Shares issued for asset acquisition	3,7	4,411,765	4,700,000	-	-	-	-	-	4,700,000
Equity component of convertible debentures	5	-	-	-	140,074	140,074	-	-	140,074
Conversion of debentures	5	7,479,500	576,085	-	(27,345)	(27,345)	-	-	548,740
Exercise of options	7	890,000	225,874	(74,024)	-	(74,024)	-	-	151,850
Forfeited options		-	-	(21,077)	-	(21,077)	-	21,077	-
Exercise of warrants	7	8,640,546	1,944,123	-	-	-	-	-	1,944,123
Share-based compensation	9	-	-	156,708	-	156,708	-	-	156,708
Net loss for the period		-	-	-	-	-	-	(1,863,979)	(1,863,979)
Balance, March 31, 2021		47,726,168	13,986,029	198,062	112,729	310,791	-	(6,782,012)	7,514,808
Balance, September 30, 2019	2(a)	16,787,047	3,875,214	72,793	-	72,793	27,000	(4,429,507)	(454,500)
Exercise of options		70,000	16,942	(6,792)	-	(6,792)	-	-	10,150
Share-based compensation		-	-	47,400	-	47,400	-	-	47,400
Net loss for the period		-	-	-	-	-	-	(433,234)	(433,234)
Balance, March 31, 2020		16,857,047	3,892,156	113,401	-	113,401	27,000	(4,862,741)	(830,184)

The accompanying notes are an integral part of these consolidated financial statements.

Cloud Nine Web3 Technologies Inc.
(Formerly Cloud Nine Education Group Ltd.)

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

		Six months ended March 31,	
	Note	2021	2020
		$	$
Operating activities			
Net loss for the period		(1,863,979)	(433,234)
Items not affecting cash			
Amortization of intangible and capital assets		24,192	32,796
Share-based compensation	9	156,708	47,400
Accrued interest and accretion expense		53,742	7,693
Government grant		(4,249)	-
Other non-cash income		(83,369)	-
Changes in non-cash working capital items:			
GST recoverable		(89,656)	-
Prepaids and other assets		(809,808)	-
Accounts payable and accrued liabilities		21,891	101,825
Income taxes payable		-	-
		(2,594,528)	(243,520)
Investing activities			
Intangible assets development costs	3	(75,000)	-
Acquisition of intangible assets	3	(300,000)	-
Acquisition of capital assets		(4,254)	-
		(379,254)	-
Financing activities			
Shares issued for cash, net of share issue costs	7	4,766,818	10,150
Proceeds from issuance of convertible debentures, net of transaction costs	5	1,185,409	-
Proceeds from loans and borrowings	4	30,000	3,500
		5,982,227	13,650
Increase (decrease) in cash		3,008,445	(229,870)
Cash, beginning of period		2,537	227,456
Cash (bank indebtedness), end of period		3,010,982	(2,414)

1. Nature of operations and going concern

(a) Nature of operations

Cloud Nine Web3 Technologies Inc. (formerly Cloud Nine Education Group Ltd.) (the “Company”) was incorporated in the Province of British Columbia on April 14, 2015, under the Business Corporations Act of British Columbia. Effective March 17, 2021, the Company changed its name to Cloud Nine Web3 Technologies Inc.

The Company’s principal business is the development, marketing and sale of its interactive and proprietary Cloud Nine Education Platform. The Company will integrate this existing platform with the recently acquired development stage assets including the Ed-Tech platform, virtual private network (VPN) platform and related decentralized storage technologies. The platform will target the education and stay-at-home sectors with selective learning modules, critical information related to the cybersecurity, crypto and blockchain sectors.

The common shares of the Company are listed on the Canadian Securities Exchange (the "Exchange") under the symbol “CNI”. The Company’s registered office is located at 900 – 885 West Georgia Street, Vancouver, BC V6C 3H1 and its head office is located at 610 - 700 West Pender Street, Vancouver, British Columbia, V6C 1G8.

(b) Going concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has incurred losses and negative operating cash flows since inception. As at March 31, 2021, the Company had accumulated deficit of $6,782,011 (September 30, 2020 - $4,939,110) and working capital of $2,627,173 (deficit as at September 30, 2020 - $791,652). The continued operations of the Company are dependent on future profitable operations, management’s ability to manage costs and the availability of equity and debt financings. Management is committed to raising additional capital to meet its financial obligations and commitments, fund its growth initiatives, capital expenditures and sustain its operations in the normal course of business. Although the Company has raised funds in the past, there can be no assurance that the Company will be able to secure additional adequate financing.

These factors indicate the existence of material uncertainties that may cast significant doubt regarding the Company’s ability to continue as a going concern. These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that may be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Significant accounting policies

(a) Basis of presentation

These condensed interim consolidated financial statements (the “financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards 34, “Interim Financial Reporting” (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

2. Significant accounting policies (continued)

(a) Basis of presentation (continued)

The financial statements are presented in Canadian dollars and prepared in accordance with the same accounting policies, critical estimates and methods described in the Company's annual audited financial statements. These financial statements should be read in conjunction with the Company's annual audited consolidated financial statements including the notes thereto, as at and for the year ended September 30, 2020.

Certain comparative figures have been reclassified to conform with the current period presentation. An aggregate of $1,424,198 has been reclassified from reserves to share capital for shares issued related to a reverse takeover transaction which occurred before September 30, 2019, and for share purchase warrants exercised in previous periods. In addition, $314,509 has been reclassified from reserves to deficit related to forfeited agent's warrants and options.

The financial statements were approved and authorized for issue by the Board of Directors of the Company on May 20, 2021.

(b) Basis of consolidation

The financial statements include the accounts of the Company and the following subsidiaries:

Subsidiaries	Ownership	Jurisdiction
BHR Capital Corp. ("BHR")	100%	Canada
English Canada World	100%	Canada

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial results of the subsidiaries are included in the financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances are eliminated on consolidation.

(c) Convertible debentures

Convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

Transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds as a reduction to the carrying amount of the liability and equity component.

The liability component of the convertible debentures was valued using Company specific interest rates assuming no conversion features existed. The resulting debt component is accreted to its fair value over the term to maturity as a non-cash interest charge and the equity component is presented in convertible debentures reserve as a separate component of shareholders' equity.

(Unaudited - Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(c) Convertible debentures (continued)

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

(d) Use of judgments and estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may vary from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

(e) New accounting pronouncements

The following IFRS standard has been recently issued by the IASB. Pronouncements that are not expected to have a significant impact have been excluded.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendments to IAS 1 clarify the requirements relating to determining whether a liability should be presented as current or non-current in the statement of financial position. Under the new requirements, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

3. Intangible assets

The changes in the carrying amount of intangible assets are as follows:

	Digital Curriculum	IP Asset (a)	Total
	$	$	$
Cost			
September 30, 2020	327,972	-	327,972
Additions	75,000	5,000,000	5,075,000
Balance, March 31, 2021	402,972	5,000,000	5,402,972

(Unaudited - Expressed in Canadian dollars)

3. Intangible assets (continued)

	Digital Curriculum	IP Asset (a)	Total
Accumulated amortization			
September 30, 2020	272,366	-	272,366
Amortization	24,075	-	24,075
Balance, March 31, 2021	296,441	-	296,441
Net book value			
September 30, 2020	55,606	-	55,606
March 31, 2021	106,531	5,000,000	5,106,531

(a) The Company acquired certain intellectual property assets from Victory Square Technologies Inc. ("Victory Square") related to a development stage VPN platform, decentralized storage technologies and other related assets ("IP Assets") pursuant to an asset purchase agreement dated March 15, 2021 (the "Acquisition"). Total consideration for the Acquisition was $5,000,000 which consisted of 4,411,765 common shares at a fair value of $4,700,000 and a finder's fee of $300,000. Note 7(b)(iv)

Cloud Nine is in the process of developing the IP assets to advance the platform to the beta testing phase and hopes to offer a finished product on or before Q3 2021. As at March 31, 2021, the assets were not available for use and no provision for amortization was recorded.

4. Loans and borrowings

(a) The Company is in dispute with the British Council as a result of loss of business opportunity and related revenues after the sale of the Company's domain IELTS.ca to the British Council. The Company is currently reviewing legal advice regarding how much monetary compensation the Company should be seeking to meet the requirement of sufficient remedy. In the interim, management is of the opinion that any liability which may exist should be classified as long-term due to the British Council's failure to meet the terms and conditions associated with their acquisition of the IELTS.ca domain from the Company. As at March 31, 2021, $174,265 (September 30, 2020 - $174,265) were owing to the British Council and the Company does not intend to pay the amounts owing until the dispute is settled.

(b) The Company secured a loan in the aggregate amount of $60,000 from the Government of Canada under the Canada Emergency Business Account ("CEBA") Covid -19 relief loan. The loan carries no interest and matures on December 31, 2022. If the Company repays $40,000 of the loan on or before December 31, 2022, the remaining amount of $20,000 will be forgiven. If the loan is not repaid in full by December 31, 2022, it may be extended to December 31, 2025, at rate of 5% per annum.

The benefit of the government loan received at below market rate of interest is treated as government grant. As at March 31, 2021, the loan of $48,767 (September 30, 2020 - $23,242) was recognized and measured at fair value using the Company's incremental borrowing rate of 12% per annum. During the three and six months ended March 31, 2021, the Company recorded the value of the grant of $4,249 and $4,249, respectively, which was the difference between the carrying amount of the loan and proceeds received. During the three and six months ended March 31, 2021, the Company recorded accretion expense of $1,418 and $2,402, respectively, on the loan (three and six months ended March 31, 2020 - $Nil).

4. Loans and borrowings (continued)

(c) During the three and six months ended March 31, 2021, the Company received a loan of $10,000 (three and six months ended March 31, 2020 - $3,500). The loans were unsecured, non-interest bearing and due on demand. The loans of $13,500 were fully repaid subsequent to March 31, 2021.

5. Convertible debentures

(a) On July 10, 2017, the Company completed a non-brokered private placement of a 12% unsecured convertible debenture in the principal amount of $274,000 (the “2017 Debentures”). The 2017 Debentures matured on February 28, 2019 and bear interest at 12% per annum, payable on maturity. The 2017 Debentures were convertible into common shares of the Company at a price of $0.70 per share.

On February 17, 2021, the debenture holders entered into an assignment agreement with respect to the 2017 Debentures. Pursuant to the assignment agreement and as approved by the Exchange, the conversion price was amended from $0.70 per share to $0.10 per share.

On February 19, 2021, the 2017 Debentures and accrued interests of $47,950 were converted into 3,219,500 common shares of the Company Note 7(b)(iii).

(b) On January 18, 2021, the Company completed a non-brokered private placement of a one year secured convertible debentures (the "Debentures") in the principal amount of $1,199,600. The Debentures bear interest at 5% per annum, payable on maturity.

The Debentures are convertible into units of the Company at a price of $0.06 per unit, where each unit is comprised of one common share of the Company and one share purchase warrant. Each warrant is exercisable into one additional common share at a price of $0.07 per share for a period of two years from the date of conversion.

The convertible debentures are compound financial instruments which were classified separately as financial liability and equity. At initial recognition, the fair value of the liability component was estimated at $1,045,335, using a discounted cash flow model method with an expected life of 1 year and a discount rate of 19.24%. The conversion feature is classified as equity and was estimated based on the residual value of $140,074. This amount is not subsequently remeasured and will remain in equity until the debentures are converted, in which case, the balance recognized in equity will be transferred to share capital. Transaction costs of $14,191 that relate to the issuance of the convertible debentures were allocated to the liability and equity components in proportion to the allocation of the gross proceeds.

During the three and six months ended March 31, 2021, an aggregate of 4,260,000 common shares and 4,260,000 warrants were issued pursuant to the conversion of $255,600 Debentures. (Note 7(b)(ii))

Subsequent to March 31, 2021, an aggregate of 475,000 common shares and 475,000 warrants were issued pursuant to the conversion of $28,500 Debentures.

Each warrant issued on the Debenture conversions is exercisable into one additional common share at a price of $0.07 per share for a period of two years from the date of conversion.

(Unaudited - Expressed in Canadian dollars)

6. Related party transactions

Key management compensation for the three and six months ended March 31, 2021 and 2020 consisted of:

(a) Compensation of key management personnel

	Three months ended March 31, 2021	2020	Six months ended March 31, 2021	2020
	$	$	$	$
CEO Salary	-	60,000	-	
CFO Salary	23,077	-	23,077	-
Professional fees paid to a director in common	9,390	13,125		
Share-based compensation (1)	-	9,875	-	-

(1) During the three and six months ended March 31, 2021, the Company recorded share-based compensation of $Nil (three and six months ended March 31, 2021 - $9,875 and $Nil) related to stock options granted to directors and officers of the Company.

(b) Related party balances

The following related party amounts are included in (i) loans and borrowings and (ii) accounts payable and accrued liabilities:

		March 31, 2021	September 30, 2020
		$	$
(i)	Loan from a former director (1)	100,000	100,000
(i)	Loan from a director (2)	26,000	26,000
(ii)	Due to directors and an officer (3)	50,000	22,100

(1) The loan is pursuant to a promissory note dated September 30, 2014. The amount is unsecured, non-interest bearing and was due on September 30, 2015. The Company entered into an agreement to extend the maturity date of the loan to December 1, 2016, for a one-time interest charge of $20,000. The Company is in negotiation to revise the terms of the promissory note.

(2) Pursuant a promissory note, the amount is unsecured, due on demand and bears interest at 1% on the outstanding principal and interest, compounded monthly. A one-time interest charge of $1,000 is payable as the amount was not paid on the maturity date of September 12, 2015. As at March 31, 2021, the Company recognized accrued interests of $17,330 (September 30, 2020 - $15,771). The loan was fully repaid subsequent to March 31, 2021.

(3) Amounts owed to related parties included in accounts payable and accrued liabilities are unsecured, non-interest-bearing and without fixed terms of repayment.

7. Share capital

(a) Authorized

The authorized share capital of the Company is an unlimited number of common shares without par value.

(b) Issued and outstanding

As at March 31, 2021, the Company's issued and outstanding share capital consisted of 47,726,168 (September 30, 2020 – 16,857,050) issued and fully paid common shares.

The following shares were issued during the six months ended March 31, 2021:

(i) In February 2021, the Company completed a non-brokered private placement of an aggregate of 9,447,307 units at a price of $0.30 per unit for gross proceeds of $2,834,192 (the "Offering"). Each unit consisted of one common share and one-half of one transferable common share purchase warrant of the Company. Each whole warrant is exercisable into one common share at a price of $0.75 per share for a period of one year from the date of issuance. Total share issue costs with respect of the Offering were $186,401 which consisted of finder's fees of $32,347, 47,796 finder's warrants at a fair value of $23,054 and consulting and advisory fees of $131,000.

(ii) In February and March 2021, an aggregate of 4,260,000 common shares and 4,260,000 warrants were issued on conversion of $255,600 Debentures. $27,345 was reclassified from reserves to the share capital on the conversion of the Debentures Note 5(b).

(iii) On February 19, 2021, 3,219,500 common shares were issued on conversion of the 2017 Debentures. Note 5(a).

(iv) On March 16, 2021, 4,411,765 common shares were issued at a fair value of $4,700,000 pursuant to the acquisition of assets. Note 3

(v) An aggregate of 890,000 common shares were issued for gross proceeds of $151,850 pursuant to stock options exercises. The fair value of the options of $74,024 was reclassified from reserves to share capital on the exercise of these options.

(vi) An aggregate of 8,640,546 common shares were issued for gross proceeds of $1,944,123 pursuant to warrant exercises.

The following shares were issued during the year ended September 30, 2020:

On November 5, 2019, 70,000 common shares were issued for gross proceeds of $10,150 on the exercise of stock options. The fair value of the options of $6,792 was reclassified from reserves to share capital on the exercise of these options.

(Unaudited - Expressed in Canadian dollars)

8. Share purchase warrants

Each whole warrant entitles the holder to purchase one common share of the Company. A summary of the status of the warrants outstanding follows:

	Warrants	Weighted average exercise price
	#	$
Balance, September 30, 2020	8,640,546	0.22
Issued	9,031,450	0.37
Exercised	(8,640,546)	0.22
Balance, March 31, 2021	9,031,450	0.43

As at March 31, 2021, the weighted average contractual life of the share purchase warrants was 0.95 years and the weighted average exercise price was $0.43 per warrant.

The following table summarizes the warrants outstanding as at March 31, 2021:

Exercise Price	Expiry date	Warrants
$		#
0.75	February 2, 2022	3,158,441
0.75	February 5, 2022	1,613,009
0.07	February 18, 2023	1,660,000
0.07	March 17, 2023	2,600,000
		9,031,450

9. Stock options

The Company has an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, at its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Company, non-transferrable options to purchase common shares up to a maximum of 10% of the issued and outstanding common shares of the Company.

A summary of the status of the options outstanding follows:

	Stock options	Weighted average exercise price
	#	$
Balance, September 30, 2020	1,600,000	0.19
Granted	200,000	1.08
Exercised	(890,000)	0.17
Forfeited	(320,000)	0.12
Balance, March 31, 2021	590,000	0.61

(Unaudited - Expressed in Canadian dollars)

9. Stock options (continued)

The following table summarizes the options outstanding and exercisable as at March 31, 2021:

Exercise Price	Expiry date	Options outstanding	Options exercisable
$		#	#
0.70	April 4, 2022	50,000	50,000
0.70	July 26, 2022	20,000	20,000
0.30	December 8, 2022	100,000	100,000
0.50	May 23, 2023	30,000	30,000
0.70	May 23, 2023	50,000	50,000
0.12	October 25, 2024	140,000	87,000
1.08	February 8, 2026	200,000	-
		590,000	337,000

As at March 31, 2021, the weighted average contractual life of the stock options was 3.20 years and the weighted average exercise price was $0.61.

During the three and six months ended March 31, 2021, the Company recorded aggregate share-based compensation of $156,708 (three and six months ended March 31, 2020 – nil and $47,400), respectively, for all stock options granted and vested during the period.

The fair value of stock options granted during the period was determined using the Black-Scholes option pricing model based on the following weighted average assumptions at the time of grant:

	Three months ended March 31,		Six months ended March 31,	
	2021	2020	2021	2020
Risk-free annual interest rate [1]	0.18%	-	0.18%	1.57%
Expected annual dividend yield	-	-	-	-
Expected stock price volatility [2]	182%	-	182%	88%
Expected life of options (years) [3]	5	-	5	-
Forfeiture rate	22%	-	22%	-

(1) The risk-free rate is based on Canada government bonds with a remaining term equal to the expected life of the options.
(2) Volatility was estimated by using the average historical volatility of the Company.
(3) The expected life in years represents the period of time that options granted are expected to be outstanding.

The weighted average fair value of stock options granted during the three and six months ended March 31, 2021 was $1.04 and $Nil (three and six months ended March 31, 2021 - $Nil and $0.07) respectively, per option.

10. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The Company uses the following hierarchy for determining fair value measurements:

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 for the asset or liability that are not based on observable market data.

Financial instruments are measured at either fair value or amortized cost. The carrying values of cash and accounts payables accrued liabilities at amortized cost approximate their fair values due to their short-term nature.

The fair value of marketable securities through other comprehensive income is based on closing market price of common shares as of the measurement date.

The carrying values of convertible debentures and loans and borrowings are discounted at the effective interest rate which approximate fair value. The fair value of convertible debentures includes the debt and equity components. During the period, there were no transfers of amounts between level 1, 2 and 3 of the fair value hierarchy.

(a) Risk management overview

The Company's activities are exposed to a variety of financial risks such as credit risk, liquidity risk and market risk. This section contains information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Company's business objectives and risk tolerance levels.

(b) Credit risk

Credit risk is the risk of a potential loss to the Company associated with a counterparty's inability to fulfill its contractual obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and sundry receivable. The risk for cash and cash equivalents balances are mitigated by holding these instruments with highly rated and reputable Canadian financial institutions. Management believes that the credit risk concentration with respect to financial instruments included in sundry receivable is remote.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with its financial liabilities as they come due. The Company's approach to managing liquidity risk is to ensure that it has sufficient liquidity to settle obligations and liabilities when they are due. As at March 31, 2021, the Company had a working capital of $2,627,173 (September 30, 2020 – working capital deficit of $791,652). The Company is currently actively pursuing additional sources of financing to ensure that it can meet its ongoing operating requirements and planned capital expenditures. There is no assurance that the Company will be successful in these initiatives. As of the date hereof, the Company has no commitments for capital expenditures. Accounts payable and accrued liabilities are due within 90 days and loans and borrowings mature within 1 to 3 years.

10. Fair value of financial instruments (continued)

(d) Market risk

Market risk is the risk that changes in the market related factors, such as interest rates and market prices, which will affect the Company's (loss) income or the fair value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. It arises when the Company invests in interest bearing financial instruments. As at March 31, 2021, the Company did not have any financial instruments subject to significant interest rate risk.

(ii) Price risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company's marketable securities and investments are susceptible to price risk arising from uncertainties about their future outlook, future values and the impact of market conditions. The fair value of marketable securities held in publicly traded entities are based on quoted market prices which the shares of the investments can be exchanged for. As at March 31, 2021, the Company did not have any financial instruments subject to significant price risk.

11. Capital management

The Company defines capital as share capital, reserves, subscriptions received and deficit. The Company's objective is to ensure that capital resources are readily available to meet its approved capital expenditure program and to take advantage of attractive acquisition opportunities as they arise.

The Company sets its capital structure in proportion to risk. The Company continually monitors economic and general business conditions and makes adjustments accordingly to maintain or adjust the capital structure. For the capital structure, the Company may purchase and cancel shares pursuant to issuer bids or issue new shares. The Company does not pay out dividends. The Company is not subject to externally imposed capital requirements. There has been no change to the Company's approach to capital management during the period ended March 31, 2021.

12. Subsequent events

The following events occurred subsequent to March 31, 2021:

(a) On May 12, 2021, the Company closed a non-brokered private placement of 1,091,155 units at $1.37 per unit for gross proceeds of $1,494,882. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable into one common share at a price of $1.75 per share for a period of one year from the date of issuance subject to accelerated expiry if the shares trade at $2.50 for ten consecutive days.

(b) 20,000 common shares were issued on the exercise of 20,000 stock options for gross proceeds of $2,400.

12. Subsequent events (continued)

(c) 1,000,000 common shares were issued on the exercise of 1,000,000 warrants for gross proceeds of $70,000.

(d) The Company granted an aggregate of 140,000 stock options to employees and consultants of the Company at an average exercise price of $1.77 per option expiring May 2026.