CLOUD NINE WEB3 TECHNOLOGIES INC.

(Formerly Cloud Nine Education Group Ltd.)

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and nine months ended June 30, 2021 and 2020
(In Canadian dollars)

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

Condensed Interim Consolidated Statements of Financial Position
As at June 30, 2021 and September 30, 2020
(Unaudited - Expressed in Canadian dollars)

	Notes	June 30, 2021	September 30, 2020
		$	$
Assets			
Current			
Cash and cash equivalents	16	2,788,255	2,537
GST recoverable		98,469	-
Prepaids and other assets	3	550,670	1
		3,437,394	2,538
Intangible assets	4	5,274,048	55,606
Investment	5	58,680	-
Derivative	5	41,320	-
Capital assets		3,781	-
		8,815,223	58,144
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6,9	206,202	372,550
Income taxes payable		-	18,140
Loans and borrowings	7,9	100,000	129,500
Convertible debentures	8	786,405	274,000
		1,092,607	794,190
Loans and borrowings	7	50,255	23,242
Long term payable	6	174,265	174,265
		1,317,127	991,697
Shareholders' equity (deficiency)			
Share capital	10	15,658,094	3,892,156
Reserves	10	235,858	113,401
Deficit		(8,395,856)	(4,939,110)
		7,498,096	(933,553)
		8,815,223	58,144

Nature of operations and going concern	1
Subsequent events	18

Approved on behalf of the Board of Directors:

(Signed) "*Allan Larmour*"
Director

(Signed) "*Kant Trivedi*"
Director

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

Condensed Interim Consolidated Statements of Comprehensive Loss
Three and nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended June 30, 2021	Three months ended June 30, 2020	Nine months ended June 30, 2021	Nine months ended June 30, 2020
		$	$	$	$
Revenue					
Curriculum sales		-	-	-	9,870
		-	-	-	9,870
Expenses					
Advertising and promotion		227,049	-	647,660	-
Amortization and depreciation	4	15,597	14,659	39,789	49,195
Consulting fees		152,455	-	580,035	218,693
Investor and public relations		224,128	-	453,439	12,109
Marketing		846,209	-	1,292,526	-
Office and administration	9	51,093	2,360	93,932	2,360
Professional fees	9	49,176	9,031	126,174	27,692
Regulatory and transfer agent fees		5,500	4,134	51,387	15,262
Salaries and benefits	9	89,391	-	115,894	85,277
Share-based compensation	9,12	(67,942)	-	88,766	47,400
		1,592,656	30,184	3,489,602	457,988
Loss before other items		(1,592,656)	(30,184)	(3,489,602)	(448,118)
Other items					
Finance costs		(36,398)	(7,609)	(91,048)	(22,911)
Foreign exchange gain		11,709	-	11,709	-
Government grant	7	-	-	4,249	-
Gain on settlement of payables		3,500	-	86,869	-
		(21,189)	(7,609)	11,779	(22,911)
Net loss and comprehensive loss for the period		(1,613,845)	(37,793)	(3,477,823)	(471,029)
Basic and diluted loss per share		(0.03)	(0.00)	(0.11)	(0.03)
Weighted average number of shares outstanding		49,309,589	16,843,279	31,306,650	16,824,605

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

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
Nine months ended June 30, 2021 and 2020
(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		16,857,050	3,892,156	113,401	-	113,401	-	(4,939,110)	(933,553)
Shares issued for equity financings	10	10,563,462	4,363,074	-	-	-	-	-	4,363,074
Share issue costs	10	-	(203,903)	23,054		23,054			(180,849)
Shares issued for asset acquisition	4,10	4,411,765	4,700,000	-	-	-	-	-	4,700,000
Conversion of debentures	10	8,954,500	663,053	-	(34,696)	(34,696)	-	-	628,357
Equity component of convertible debentures	8	-	-	-	141,751	141,751	-	-	141,751
Exercise of options	10,12	910,000	229,591	(75,341)	-	(75,341)	-	-	154,250
Forfeited options		-	-	(21,077)	-	(21,077)	-	21,077	-
Exercise of warrants	10,11	9,640,546	2,014,123	-	-	-	-	-	2,014,123
Share-based compensation	12	-	-	88,766	-	88,766	-	-	88,766
Net loss for the period		-	-	-	-	-	-	(3,477,823)	(3,477,823)
Balance, June 30, 2021		51,337,323	15,658,094	128,803	107,055	235,858	-	(8,395,856)	7,498,096
Balance, September 30, 2019		16,787,047	3,875,214	72,793	-	72,793	27,000	(4,429,507)	(454,500)
Exercise of options	10	70,000	16,942	(6,792)	-	(6,792)	-	-	10,150
Share-based compensation	12	-	-	47,400	-	47,400	-	-	47,400
Net loss for the period		-	-	-	-	-	-	(471,029)	(471,029)
Balance, June 30, 2020		16,857,047	3,892,156	113,401	-	113,401	27,000	(4,900,536)	(867,979)

Cloud Nine Web3 Technologies Inc.

(Formerly Cloud Nine Education Group Ltd.)

Condensed Interim Consolidated Statements of Cash Flows
Nine months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

	Nine months ended June 30,	
	2021	2020
	$	$
Operating activities		
Net loss for the period	(3,477,823)	(471,029)
Items not affecting cash		
Amortization and depreciation	39,789	49,195
Share-based compensation	88,766	47,400
Accrued interest and accretion expense	51,367	7,693
Government grant	(4,249)	-
Foreign exchange gain	(11,709)	-
Gain on settlement of payables	(86,869)	-
Changes in non-cash working capital items:		
GST recoverable	(98,469)	-
Prepaids and other assets	(550,670)	-
Accounts payable and accrued liabilities	(10,770)	102,075
Income taxes payable	(18,140)	-
	(4,078,777)	(264,666)
Investing activities		
Intangible assets development costs	(257,758)	-
Acquisition of intangible assets	(300,000)	-
Purchase of capital assets	(4,254)	-
Investment and derivative	(100,000)	-
	(662,012)	-
Financing activities		
Shares issued for cash, net of share issue costs	6,350,598	10,150
Proceeds from issuance of convertible debentures, net of transaction costs	1,185,409	-
(Repayment) proceeds from loans and borrowings	(9,500)	43,500
	7,526,507	53,650
Increase (decrease) in cash and cash equivalents	2,785,718	(211,016)
Cash and cash equivalents, beginning of period	2,537	227,456
Cash and cash equivalents, end of period	2,788,255	16,440

Supplemental cash flow information (Note 16)

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 is a development stage technology issuer focused on the continued development and marketing 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 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, BC, V6C 1G8.

(b) Going concern

These condensed interim 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 June 30, 2021, the Company had accumulated deficit of $8,395,856 (September 30, 2020 - $4,939,110). 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 condensed interim 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.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from the novel coronavirus (COVID-19). The Company continues to operate its business at this time. While the impact of COVID-19 on business operations cannot be reasonably estimated at the time, the Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows.

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").

The condensed interim consolidated 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 consolidated financial statements. These condensed interim consolidated 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 condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on August 25, 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.

2. Significant accounting policies (continued)

(c) Financial instruments

Investment

The Company classifies investments in common shares as financial assets measured at fair value through other comprehensive income (loss) ("FVOCI"). They are initially and subsequently measured at fair value and the changes in fair value, other than impairment losses, are recognized in other comprehensive income (loss) and presented in the fair value reserve in shareholders' equity. When the financial assets are sold or an impairment write-down is required, losses accumulated in the fair value reserve recognized in shareholders' equity are included in profit or loss.

Derivatives

The Company classifies derivative investments as financial assets at fair value through profit or loss ("FVTPL"). At initial recognition, the investments are recognized at fair value, and are subsequently remeasured at fair value at each reporting date, with the resulting unrealized gains or losses recognized in profit or loss for the period. Directly attributable transaction costs on acquisition of investments are expensed as incurred.

Impairment of financial assets

The Company reviews the investment for other-than-temporary declines in fair value. When there is a significant or prolonged decline in the value of an investment, the cumulative loss that had been recognized in other comprehensive income (loss) is reclassified from equity to profit or loss.

Convertible debentures

Convertible notes 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 notes 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 notes 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 notes reserve as a separate component of shareholders' equity.

2. Significant accounting policies (continued)

(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.

Intangible assets acquired through acquisition

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. The assessment required management to assess the inputs, processes and outputs of the company acquired at the time of acquisition. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition.

In determining the fair value of all identifiable assets and liabilities acquired, the most significant estimates relate to intangible assets. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The Company estimated the value of its intangible assets based on the fair value of goods or services received, and if not readily determinable, at the fair value of the equity instruments granted.

Estimated useful life of intangible assets

The useful life of intangible assets relates to the future performance of the assets and management's judgment of the period over which economic benefit will be derived from the assets. The useful life is determined by management and is regularly reviewed for appropriateness. The amortization of Company's finite-life intangible assets begins when the assets are available for use. The useful life is based on historical experience with similar development costs as well as anticipation of future events which may impact their life such as changes in technology.

Impairment of intangible assets

Intangible assets with an indefinite life or not yet available for use are tested for impairment annually, and whenever events or circumstances that make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of the assets. Finite life intangible assets are tested whenever there is an indication of impairment.

2. Significant accounting policies (continued)

(d) Use of judgments and estimates (continued)

Impairment of intangible assets (continued)

An impairment loss is recognized if the carrying amount of intangible assets exceeds its recoverable amount. The recoverable amounts of the intangible assets are determined based on the higher of the fair value less costs of disposal or value in use. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the intangible assets given the necessity of making key economic assumptions about the future. Many factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments.

Any impairment is recorded in profit and loss in the period in which the impairment is identified. A reversal of an asset impairment loss is allocated to the intangible assets on a pro rata basis. In allocating a reversal of an impairment loss, the carrying amount of an asset shall not be increased above the lower of its recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior period.

Fair value of investments and derivatives

The Company reviews its investments and records their fair value at each financial statement reporting date. For investments in public companies, fair value is determined based on the quoted market price. For investments in private companies, certain subjective measures, including recent share transactions, prices for comparable entities, review of cash flow projections and the investee's prospects, financial ratios and discounted cash flows are techniques used to determine fair value. Where possible, the Company uses inputs obtained from observable market data for its valuation models. However, if observable market data is not available, the Company uses judgment to determine fair value.

The individual fair values attributed to the different components of a financing transaction such as investments in equity securities and derivative financial instruments, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; and (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis. These valuation estimates could be significantly different because of the use of judgement and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Convertible debentures

The identification of convertible debenture components, financial liability and equity, 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.

(Unaudited - Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(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 condensed interim consolidated financial statements.

3. Prepaids and other assets

	June 30, 2021	September 30, 2020
	$	$
Prepaid expenses	241,000	-
Other assets (a)	309,670	1
Total	550,670	1

(a) Included in other assets is an advance receivable of $300,000 which is unsecured, non-interest bearing and without fixed terms of repayment.

4. Intangible assets

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

	IP Asset (a)	Digital Curriculum	Total
	$	$	$
Cost			
Balance, September 30, 2020 and 2019	-	327,972	327,972
Additions	5,182,758	75,000	5,257,758
Balance, June 30, 2021	5,182,758	402,972	5,585,730

(Unaudited - Expressed in Canadian dollars)

4. Intangible assets (continued)

	IP Asset (a)	Digital Curriculum	Total
Accumulated amortization			
Balance, September 30, 2019	-	206,773	206,773
Amortization	-	65,593	65,593
Balance, September 30, 2020	-	272,366	272,366
Amortization	-	39,316	39,316
Balance, June 30, 2021	-	311,682	311,682
Net book value			
September 30, 2020	-	55,606	55,606
June 30, 2021	5,182,758	91,290	5,274,048

(a) The Company acquired certain intellectual property assets from an arm's length party, 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 10(b)(iii).

Cloud Nine is in the process of developing the IP assets to advance the platforms to the beta testing phase and spent an additional $182,758 during the nine months ended June 30, 2021. As at June 30, 2021, the assets were not available for use and no provision for amortization was recorded.

5. Investment and derivative

The Company entered into a share purchase agreement dated June 28, 2021 (the "SPA"), with Next Decentrum Technologies Inc. ("Next Decentrum"), a private technology corporation focused on education tech platforms and emerging technologies. Under the SPA, the Company will acquire a 19.7% ownership interest in Next Decentrum, on an undiluted basis, by purchasing an aggregate of 2,673,792 units of Next Decentrum at price of $0.187 per unit, in eight equal tranches over a period of six months, for a total investment of $500,000.

Each unit is comprised of one common share and one share purchase warrant exercisable at $0.2805 per share for a period of 24 months from the date of issuance. The Company has the right to increase its ownership in Next Decentrum to up to 28.2% by providing an additional investment of up to $750,000 in connection with the exercise of all 2,673,792 warrants.

(Unaudited - Expressed in Canadian dollars)

5. Investment and derivative (continued)

The Company completed the first and second tranches of the investment and purchased 534,758 units of Next Decentrum for $100,000.

As at June 30, 2021, the Company applied the relative fair value method using an implied share price in allocating the value of the units to the underlying common share and warrant components, both of which are level 3 inputs. The fair value of the 534,758 shares of $58,680 was based on an implied share price of $0.11 per share and the fair value of the 534,758 warrants of $41,320 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk free rate of 0.44%; dividend yield of 0%; stock price volatility of 184%; and an expected life of 2 years.

6. Accounts payable and accrued liabilities

	June 30, 2021	September 30, 2020
	$	$
Accounts payable	109,894	182,885
Accrued liabilities	96,308	189,665
Other payable (a)	174,265	174,265
	380,467	546,815
Current	206,202	372,550
Non-current (a)	174,265	174,265

(a) The Company was 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 does not intend to pay the amounts owing until the dispute is settled.

7. Loans and borrowings

	June 30, 2021	September 30, 2020
	$	$
Loan from a related party (Note 9(b))	100,000	126,000
CEBA loans (a)	50,255	23,242
Other loans	-	3,500
	150,255	152,742
Current	100,000	129,500
Non-current	50,255	23,242

(Unaudited - Expressed in Canadian dollars)

7. Loans and borrowings (continued)

(a) 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 June 30, 2021, the loan of $50,255 (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 nine months ended June 30, 2021, the Company recorded the value of the grant of $4,249, which was the difference between the carrying amount of the loan and proceeds received. During the three and nine months ended June 30, 2021, the Company recorded accretion expense of $1,488 and $3,865, respectively, on the loan (three and nine months ended June 30, 2020 - $Nil).

8. Convertible debentures

	July 2017 (a)	January 2021 (b)
	$	$
Balance, September 30, 2019 and 2020	274,000	-
Issued	-	1,199,600
Equity portion of convertible debenture	-	(141,751)
Transaction costs	-	(12,514)
Interest accrued	47,950	-
Conversion of debt	(321,950)	(306,407)
Accretion	-	47,477
Balance, June 30, 2021	-	786,405

(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 were convertible into common shares of the Company at a price of $0.70 per share and matured on February 28, 2019.

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 10(b)(ii).

(Unaudited - Expressed in Canadian dollars)

8. Convertible debentures (continued)

(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 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 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 $141,751. 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 $12,514 related 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 nine months ended June 30, 2021, 1,475,000 and 5,735,000 common shares and 1,475,000 and 5,735,000 warrants were issued pursuant to the conversion of $88,500 and $344,100 Debentures, respectively. (Note 10(b)(vii)).

As at June 30, 2021, included in accounts payable and accrued liabilities were accrued interests on the debentures of $20,640.

9. Related party transactions

Key management compensation for the three and nine months ended June 30, 2021 and 2020 consisted of:

(a) Compensation of key management personnel

	Three months ended June 30, 2021	Three months ended June 30, 2020	Nine months ended June 30, 2021	Nine months ended June 30, 2020
	$	$	$	$
CEO Salary	-	-	-	60,000
CFO Salary	50,000	-	73,846	-
Share-based compensation (1)	41,269	-	70,814	9,875

(1) Share-based compensation represents the fair value of options granted and vested to directors and officers of the Company.

(Unaudited - Expressed in Canadian dollars)

9. Related party transactions (continued)

(b) Related party transactions

	Three months ended	June 30,	Nine months ended	June 30,
	2021	2020	2021	2020
	$	$	$	$
Office and administration (1)	25,214	-	37,219	-
Professional fees (2)	7,500	9,031	22,500	27,692

(1) Shared rent, salary and office expenses paid to a company with common directors and officers.

(2) Professional fees paid to a company controlled by a director of the Company.

(c) Related party balances

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

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

(1) Pursuant to a promissory note dated September 30, 2014, the loan is unsecured, non-interest bearing and due on September 30, 2015. The loan was extended to December 1, 2016, for a one-time interest charge of $20,000.

(2) Amounts due to related parties are unsecured, non-interest-bearing and without fixed terms of repayment.

10. 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 June 30, 2021, the Company's issued and outstanding share capital consisted of 51,337,323 (September 30, 2020 – 16,857,050) issued and fully paid common shares.

10. Share capital (continued)

(b) Issued and outstanding (continued)

The following shares were issued during the nine months ended June 30, 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) On February 19, 2021, 3,219,500 common shares were issued on conversion of the 2017 Debentures. Note 8(a).

(iii) 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 4.

(iv) In May 2021, the Company completed a non-brokered private placement of 1,116,155 units at $1.37 per unit for gross proceeds of $1,528,882. 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. The Company paid a finder's fee of $17,502 related to the private placement.

(v) An aggregate of 910,000 common shares were issued for gross proceeds of $154,250 pursuant to stock options exercises. The fair value of the options of $75,341 was reclassified from reserves to share capital on the exercise of these options.

(vi) An aggregate of 9,640,546 common shares were issued for gross proceeds of $2,014,123 pursuant to warrant exercises.

(vii) An aggregate of 5,735,000 common shares and 5,735,000 warrants were issued on conversion of $344,100 Debentures. $34,696 was reclassified from reserves to the share capital on the conversion of the Debentures. Note 8(b).

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 pursuant to options exercises. 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)

11. 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 and 2019	8,640,546	0.23
Issued	11,064,528	0.37
Exercised	(9,640,546)	0.21
Balance, June 30, 2021	10,064,528	0.49

As at June 30, 2021, the weighted average contractual life of the share purchase warrants was 1.16 years and the weighted average exercise price was $0.49 per warrant.

The following table summarizes the warrants outstanding as at June 30, 2021:

Exercise Price	Expiry date	Warrants
$		#
0.75	February 2, 2022	3,158,441
0.75	February 5, 2022	1,613,009
1.75	May 12, 2022	558,078
0.07	February 18, 2023	1,660,000
0.07	March 17, 2023	1,600,000
0.07	May 6, 2023	475,000
0.07	June 24, 2023	1,000,000
		10,064,528

12. 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.

(Unaudited - Expressed in Canadian dollars)

12. Stock options (continued)

A summary of the status of the options outstanding follows:

	Stock options	Weighted average exercise price
	#	$
Balance, September 30, 2019	1,114,000	0.318
Granted	720,000	0.12
Exercised	(70,000)	0.145
Expired	(4,000)	0.50
Forfeited	(210,000)	0.61
Balance, September 30, 2020	1,550,000	0.19
Adjustment	50,000	0.70
Granted	340,000	1.36
Exercised	(910,000)	0.17
Forfeited	(320,000)	0.12
Balance, June 30, 2021	710,000	0.85

The following table summarizes the options outstanding and exercisable as at June 30, 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	120,000	120,000
1.08	February 8, 2026	200,000	25,000
1.79	May 3, 2026	40,000	-
1.75	May 11, 2026	100,000	-
		710,000	395,000

As at June 30, 2021, the weighted average contractual life of the stock options was 3.32 years and the weighted average exercise price was $0.85.

During the three and nine months ended June 30, 2021, the Company recorded share-based compensation of $59,221 and $88,766 (three and nine months ended June 30, 2020 – $nil and $47,400), respectively, for all stock options granted and vested during the period.

(Unaudited - Expressed in Canadian dollars)

12. Stock options (continued)

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 June 30,		Nine months ended June 30,	
	2021	2020	2021	2020
Risk-free annual interest rate (1)	0.53%	-	0.45%	1.57%
Expected annual dividend yield	-	-	-	-
Expected stock price volatility (2)	186%	-	193%	88%
Expected life of options (years) (3)	3	-	3	3
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 nine months ended June 30, 2021 was $0.81 and $0.92 (three and nine months ended June 30, 2021 - $Nil and $0.07) respectively, per option.

13. 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 following table sets out the valuation methods used to determine fair value of each financial instrument:

Financial instruments	Fair value method
Measured at fair value	
Investments (FVTOCI)	Implied share price as at measurement date (Level 3)
Derivatives (FVTPL)	Black-Scholes option pricing model (Level 3)

13. Fair value of financial instruments (continued)

Financial instruments	Fair value method
Measured at amortized cost	
Cash and cash equivalents	Carrying amount (approximates fair value due to short-term nature)
Accounts payable and accrued liabilities	Carrying amount (approximates fair value due to short-term nature)
Convertible debentures and short-term loans and borrowings	Carrying value discounted at the effective interest rate

During the period, there were no transfers of amounts between level 1, 2 and 3 of the fair value hierarchy.

14. Financial instruments risk

The Company is exposed to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes.

(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. The risk for cash and cash equivalent balances are mitigated by holding these instruments with highly rated and reputable Canadian financial institutions.

(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 June 30, 2021, the Company had working capital of $2,344,787 (September 30, 2020 – working capital deficit of $791,652). The Company is currently 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. The Company's capital expenditures mainly consist of the development of its technology platforms. Accounts payable and accrued liabilities are due within 90 days and loans and borrowings mature within 1 to 3 years.

(Unaudited - Expressed in Canadian dollars)

14. Financial instruments risk (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 June 30, 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 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 investments and derivatives held in privately held companies is based on certain valuation techniques as outlined in Note 5. As at June 30, 2021, the Company did not have any financial instruments subject to significant price risk.

15. 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 June 30, 2021.

16. Supplemental cash flow information

Cash and cash equivalents consist of:

	June 30, 2021	September 30, 2020
	$	$
Cash	2,288,255	2,537
Guaranteed Investment Certificate (GIC) [(1)]	500,000	-

[(1)] GIC is redeemable on demand, bears rate at 0.25% per annum and matures on April 21, 2022.

(Unaudited - Expressed in Canadian dollars)

16. Supplemental cash flow information (continued)

Supplementary cash flow information:

	June 30, 2021	September 30, 2020
	$	$
Non-cash operating activity		
Debenture interest settled in shares (Note 8)	49,630	-
Non-cash investing activity		
Shares issued for asset acquisition (Note 4)	4,700,000	-
Non-cash financing activity		
Shares issued on conversion of debentures (Note 8)	578,727	-

17. Segment disclosure

The Company has one operating segment, being the development and marketing of its technology platforms, and its operations and long-term assets are located in North America.

18. Subsequent events

The following events occurred subsequent to June 30, 2021:

(a) On July 30, 2021, pursuant to the SPA, the Company purchased an additional 267,379 units of Next Decentrum for $50,000. (Note 5)

(b) 10,258,333 common shares were issued on the conversion of $615,500 Debentures.

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