CLOUD NINE WEB3 TECHNOLOGIES INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three months ended December 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.

Condensed Interim Consolidated Statements of Financial Position

As at December 31, 2021 and September 30, 2021

(Unaudited - Expressed in Canadian dollars)

	Notes	December 31, 2021	September 30, 2021
		$	$
Assets			
Current			
Cash and cash equivalents	18	1,918,752	2,508,857
GST recoverable		10,687	7,380
Prepaids and other assets	4	306,000	385,000
		2,235,439	2,901,237
Intangible assets	5	5,201,252	5,294,623
Investment	6	1,681,000	145,182
Derivative	6	1,457,000	104,818
Capital assets		3,072	3,427
		8,342,324	5,548,050
		10,577,763	8,449,287
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	335,211	376,999
Loans and borrowings	8,10	100,000	100,000
Convertible debentures	9	237,202	229,072
		672,413	706,071
Loans and borrowings	8	53,392	51,800
		725,805	757,871
Shareholders' equity (deficiency)			
Share capital	11	16,425,140	16,425,140
Reserves		1,578,475	307,794
Deficit		(8,151,657)	(9,041,518)
		9,851,958	7,691,416
		10,577,763	8,449,287

Nature of operations and going concern 1

Subsequent events 9, 20

Approved on behalf of the Board of Directors:

(Signed) "*Allan Larmour*"
Director

(Signed) "*Kant Trivedi*"
Director

Cloud Nine Web3 Technologies Inc.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

Three months ended December 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended December 31, 2021	2020
		$	$
Expenses			
Advertising and promotion		5,000	-
Amortization and depreciation	5	151,999	16,399
Investor and public relations		34,720	-
Insurance		20,000	-
Marketing		14,000	-
Office and administration	10	34,435	292
Professional fees	10	101,983	7,875
Regulatory and transfer agent fees		31,553	2,363
Salaries and benefits	10	69,931	-
Share-based compensation	10,13	81,525	-
		545,146	26,929
Loss before other items		(545,146)	(26,929)
Other items			
Finance costs	17	(13,359)	(9,697)
Foreign exchange loss		(478)	-
Unrealized gain on derivative	6	1,225,000	-
Government grant	8	-	12,053
Net income (loss) for the period		666,017	(24,573)
Other comprehensive income			
Unrealized gain on investment	6	1,413,000	-
Comprehensive income (loss) for the period		2,079,017	(24,573)
Net earnings (loss) per share			
Basic		0.04	(0.00)
Diluted		0.03	(0.00)
Weighted average number of shares outstanding		49,244,340	16,857,050

Cloud Nine Web3 Technologies Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

Three months ended December 31, 2021 and 2020

(Unaudited - Expressed in Canadian dollars)

		Share capital		Reserves					
	Note	Number	Amount	Stock Options and warrants	Convertible debentures	Accumulated comprehensive income/(loss)	Total reserves	Deficit	Total
		#	$	$	$		$	$	$
Balance, September 30, 2021		62,595,653	16,425,140	276,731	31,063	-	307,794	(9,041,518)	7,691,416
Share-based compensation	13	-	-	81,525	-	-	81,525	-	81,525
Forfeited options		-	-	(223,844)	-	-	(223,844)	223,844	-
Comprehensive income (loss) for the period		-	-	-	-	1,413,000	1,413,000	666,017	2,079,017
Balance, December 31, 2021		62,595,653	16,425,140	134,412	31,063	1,413,000	1,578,475	(8,151,657)	9,851,958
Balance, September 30, 2020 *(Restated – Note 3)*		16,857,047	3,810,207	114,263	224,000	-	338,263	(5,082,023)	(933,553)
Comprehensive Income (loss) for the period		-	-	-	-	-	-	(24,573)	(24,573)
Balance, December 31, 2020		16,857,047	3,810,207	114,263	224,000	-	338,263	(5,106,596)	(958,126)

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

Cloud Nine Web3 Technologies Inc.
Condensed Interim Consolidated Statements of Cash Flows
Three months ended December 31, 2021 and 2020
(Unaudited - Expressed in Canadian dollars)

	Three months ended December 31,	
	2021	2020
	$	$
Operating activities		
Net income (loss) for the period	666,017	(24,573)
Items not affecting cash		
Amortization and depreciation	151,999	16,399
Share-based compensation	81,525	-
Accrued interest and accretion expense	12,722	9,697
Unrealized gain on derivative	(1,225,000)	-
Government grant	-	(12,053)
Changes in non-cash working capital items:		
GST recoverable	(3,307)	-
Prepaids and other assets	79,000	-
Accounts payable and accrued liabilities	(73,283)	8,663
	(310,327)	(1,867)
Investing activities		
Intangible assets development costs	(29,778)	-
Investment and derivative	(250,000)	-
	(279,778)	-
Financing activities		
Proceeds from loans and borrowings	-	20,000
	-	20,000
Increase (decrease) in cash and cash equivalents	(590,105)	18,133
Cash and cash equivalents, beginning of period	2,508,857	2,537
Cash and cash equivalents, end of period	1,918,752	20,670

Supplemental cash flow information (Note 18)

1. Nature of operations and going concern

(a) Nature of operations

Cloud Nine Web3 Technologies Inc. (the "Company") was incorporated in the Province of British Columbia on April 14, 2015, under the Business Corporations Act of British Columbia. The Company is a development stage technology issuer focused on developing and offering peer-to-peer or decentralized infrastructure products and related content including its proprietary Limitless VPN (virtual private network).

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 December 31, 2021, the Company had accumulated deficit of $8,151,657 (September 30, 2021 - $9,041,518). 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 and the impact of COVID-19 on its business operations cannot be reasonably estimated at the time.

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 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 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, 2021.

The Financial Statements were approved and authorized for issue by the Board of Directors of the Company on February 22, 2022.

(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) Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to exercise judgment and to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Estimates and associated assumptions are based on historical experience and other factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated for reasonableness and relevancy. Where revisions to accounting estimates are required, they are recognized in the period in which the estimates are revised for the current as well as future periods that are affected.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

2. Significant accounting policies (continued)

(c) Significant accounting judgments, estimates and assumptions (continued)

Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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 an 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 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

Judgment is required in determining whether intangible assets have indicators of impairment. Determining the amount of impairment of intangibles assets requires an estimation of the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. 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.

2. Significant accounting policies (continued)

(c) Significant accounting judgments, estimates and assumptions (continued)

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 judgment 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 judgment 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.

Share-based compensation

The fair value of equity instruments is subject to the limitations of the Black-Scholes option pricing model as well as other pricing models that incorporate market data and involves uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of the Company's share price, expected life of options, rate of forfeiture of awards granted, changes in subjective input assumptions can materially affect the fair value estimate.

2. Significant accounting policies (continued)

(c) Significant accounting judgments, estimates and assumptions (continued)

Deferred tax assets

Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. The Company has recorded a full valuation allowance against its deferred tax assets due to the uncertainty in the realization of these assets.

(d) 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, 2023. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

3. Restatement of previously reported consolidated financial statements

The Company's consolidated financial statements as at and for the years ended September 30, 2020 and 2019, have been restated in connection with a change in accounting policy and correction of errors as follows:

(a) Effective October 1, 2020, the Company elected to change its accounting policy for share-based compensation in accordance with IFRS 2 Share-based payment where it has elected to recognize a transfer within equity for expired vested equity instruments. Previously, the value of all expired vested options and warrants remained in reserves. Management determined that the reclassification of expired equity instruments within equity would provide a more relevant information as it better reflects the fair value of awards that are expected to vest. As a result, the opening 2019 shareholders' equity was restated to reclassify expired options and warrants of $395,596 from reserves to deficit.

(b) In the 2015 annual consolidated financial statements, the fair value of $1,342,249 for 27,209,210 common shares issued as consideration in a reverse takeover transaction (the "RTO") was erroneously accounted for in reserves at the date of transaction. The Company restated the opening 2019 shareholders' equity to properly reflect the exchange of common shares in the RTO in share capital.

(Unaudited - Expressed in Canadian dollars)

3. Restatement of previously reported consolidated financial statements (continued)

(c) In the 2020 annual consolidated financial statements, the Company did not account for the modification of the 2017 Debentures under IAS 32 Financial Instruments: Presentation related to the reduction of the conversion price of the 2017 Debentures from $0.70 per share to $0.10 per share. The Company restated the 2020 annual consolidated financial statements to reflect the modification and recognized a loss on modification of convertible debentures of $224,000.

The following table summarizes the effects of adjustments described above:

	September 30, 2020 (as previously reported)	Adjustment	September 30, 2020 (as restated)
	$	$	$
Amended and restated consolidated statement of financial position			
Share capital	2,467,958	1,342,249	3,810,207
Total reserves	1,852,108	(1,513,845)	338,263
Deficit	(5,253,619)	171,596	(5,082,023)
Amended and restated consolidated statement of loss and comprehensive loss			
Loss on modification of convertible debentures	-	(224,000)	(224,000)
Net loss and comprehensive loss for the year	(509,603)	(224,000)	(733,603)
Basic and diluted loss per share	(0.03)	(0.01)	(0.04)
Amended and restated consolidated statement of cash flows			
Net loss for the year	(509,603)	(224,000)	(733,603)
Loss on modification of convertible debentures	-	224,000	224,000

The restatement did not have any impact on the condensed interim consolidated statement of loss and comprehensive loss, basic and diluted loss per share and condensed interim consolidated statement of cash flows for the three months ended December 31, 2020.

4. Prepaids and other assets

	December 31, 2021	September 30, 2021
	$	$
Prepaid expenses	47,000	76,000
Other assets (a)	259,000	309,000
Total	306,000	385,000

(a) As at December 31, 2021, included in other assets was a promissory note receivable (the "Note"). The Note is unsecured, bears interest at 15% per annum, compounded monthly, and payable at maturity. The Note is repayable monthly and matures on March 15, 2022. An additional interest of 7% per annum shall be charged on overdue amounts.

(Unaudited - Expressed in Canadian dollars)

5. 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	-	327,972	327,972
Additions	5,231,500	75,000	5,306,500
Balance, September 30, 2021	5,231,500	402,972	5,634,472
Additions	58,274	-	58,274
Balance, December 31, 2021	5,289,774	402,972	5,692,746
Accumulated amortization			
Balance, September 30, 2020	-	272,366	272,366
Amortization	-	67,483	67,483
Balance, September 30, 2021	-	339,849	339,849
Amortization	132,597	19,048	151,645
Balance, December 31, 2021	132,597	358,897	491,494
Net book value			
September 30, 2021	5,231,500	63,123	5,294,623
December 31, 2021	5,157,177	44,075	5,201,252

(a) The Company acquired the IP assets consisting mainly of the proprietary Limitless VPN platform from an arm's length party, Victory Square Technologies Inc., 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 11(b)(iii).

Cloud Nine is developing the IP assets and spent an additional $58,274 during the three months ended December 31, 2021 (2020 - $Nil). The IP assets are amortized on a straight-line basis over its estimated useful life of ten years.

(Unaudited - Expressed in Canadian dollars)

6. Investment and derivative

The Company acquired a 16% ownership in Next Decentrum Technologies Inc. ("Next Decentrum"), a private technology corporation focused on education tech platforms and emerging technologies, through the acquisition of an aggregate of 2,673,792 units of Next Decentrum at price of $0.187 per unit 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 27.6% by providing an additional investment of up to $750,000 in connection with the exercise of all 2,673,792 warrants.

The share component of the investment is classified as equity investment at fair value through other comprehensive income (loss) (FVOCI). Based on Next Decentrum's closing price of $0.63 on a financing completed in October 2021, the 2,673,792 shares held by the Company as at December 31, 2021, have a fair value of approximately $1,681,000. For the three months ended December 31, 2021, the Company recognized an unrealized gain on the fair value of the investment of $1,413,000 in OCI.

The warrant component of the investment is classified as a derivative at fair value through profit or loss (FVTPL). As at December 31, 2021, the fair value of the 2,673,792 warrants of $1,457,000 was estimated using the Black-Scholes pricing model based on the following weighted average assumptions: risk free rate of 0.91%; dividend yield of 0%; stock price volatility of 189%; an expected life of 1.77 years. For the three months ended December 31, 2021, the Company recognized an unrealized gain on the fair value of the derivative of $1,225,000.

For the year ended September 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 1,336,895 shares of $145,182 was based on an implied share price of $0.11 per share and the fair value of the 1,336,895 warrants of $104,818 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk free rate of 0.52%; dividend yield of 0%; stock price volatility of 189%; and an expected life of 2 years.

7. Accounts payable and accrued liabilities

	December 31, 2021	September 30, 2021
	$	$
Accounts payable	211,681	243,906
Accrued liabilities (Note 10(c), Note 9)	123,530	133,093
	335,211	376,999

(Unaudited - Expressed in Canadian dollars)

8. Loans and borrowings

	December 31, 2021	September 30, 2021
	$	$
Loan from a related party (Note 10(c))	100,000	100,000
CEBA loans (a)	53,392	51,800
	153,392	151,800
Current	100,000	100,000
Non-current	53,392	51,800

(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 a rate of 5% per annum. On January 12, 2022, the Government of Canada extended the maturity date from December 31, 2022 to December 31, 2023.

The benefit of the government loan received at below market rate of interest is treated as government grant. As at December 31, 2021, the loan of $53,392 (September 30, 2021 - $51,800) was recognized and measured at fair value using the Company's incremental borrowing rate of 12% per annum.

During the three months ended December 31, 2021, the Company recorded the value of the grant of $Nil (2020 - $12,053), which was the difference between the carrying amount of the loan and proceeds received. During the three months ended December 31, 2021, the Company recorded an accretion expense of $1,592 (2020 - $697) on the loan (Note 17).

9. Convertible debentures

	January 2021 (a)
	$
Balance, September 30, 2021	229,072
Accretion (Note 17)	8,130
Balance, December 31, 2021	237,202

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

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.

(Unaudited - Expressed in Canadian dollars)

9. Convertible debentures (continued)

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 one 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.

As at December 31, 2021, included in accrued liabilities were accrued interests on the debentures of $30,771. (Note 7).

Subsequent to December 31, 2021, the Company issued 4,000,000 common shares and 4,000,000 warrants on the conversion of all of the remaining $240,000 principal amount of Debentures.

10. Related party transactions

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

(a) Compensation of key management personnel

	Three months ended December 31, 2021	Three months ended December 31, 2020
	$	$
CFO Salary	41,250	-
Share-based compensation (1)	55,181	-

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

(b) Related party transactions

	Three months ended December 31, 2021	Three months ended December 31, 2020
	$	$
Office and administration (1)	15,000	-
Professional fees (2)	-	7,875

(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 and former CFO of the Company.

(Unaudited - Expressed in Canadian dollars)

10. Related party transactions (continued)

(c) Related party balances

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

	December 31, 2021	September 30, 2021
	$	$
(i) Loan from a former director [1]	100,000	100,000
(ii) Due to directors and an officer [2]	50,000	50,000

[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] Amount due is unsecured, non-interest-bearing and without fixed terms of repayment. (Note 7).

11. 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 December 31, 2021, the Company's issued and outstanding share capital consisted of 62,595,653 (September 30, 2021 – 62,595,653) issued and fully paid common shares.

The following shares were issued during the year ended September 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. The fair value of the 47,796 finder's warrants was estimated using the Black-Scholes option pricing model with the following assumptions: risk free rate of 0.15%; dividend yield of 0%; stock price volatility of 196%; and an expected life of 1 year.

(ii) On February 19, 2021, 3,219,500 common shares were issued on conversion of the 2017 Debentures for $321,950. $224,000 was reclassified from reserves to the share capital on the conversion of the Debentures.

(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 5).

(Unaudited - Expressed in Canadian dollars)

11. Share capital (continued)

(b) Issued and outstanding (continued)

(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 10,640,546 common shares were issued for gross proceeds of $2,084,123 pursuant to warrant exercises.

(vii) An aggregate of 15,993,333 common shares and 15,993,333 warrants were issued on conversion of $959,600 Debentures. $110,688 was reclassified from reserves to the share capital on the conversion of the Debentures.

12. Share purchase warrants

Each whole warrant entitles the holder to purchase one common share of the Company. As at December 31, 2021 and September 30, 2021, the Company had 19,322,861 warrants outstanding with the weighted average exercise price of $0.29 per warrant. As at December 31, 2021, the weighted average contractual life of the warrants was 1.15 years (September 30, 2021 – 1.40 years).

The following table summarizes the warrants outstanding as at December 31, 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	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
0.07	August 18, 2023	8,333,333
0.07	August 23, 2023	1,925,000
		19,322,861

(Unaudited - Expressed in Canadian dollars)

13. Stock options

In 2021, the Company adopted an Omnibus Equity Incentive Plan (“2021 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, equity-based incentive awards in the form of stock options (“Options”), restricted share units (“RSUs”), performance share units (“PSUs”) and deferred share units (“DSUs”). The 2021 Plan is a rolling plan which provides that the aggregate maximum number of common shares that may be issued upon the exercise or settlement of awards granted under the 2021 Plan shall not exceed 10% of the Company’s issued and outstanding common shares from time to time.

A summary of the status of the options outstanding follows:

	Stock options	Weighted average exercise price
	#	$
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	(420,000)	0.51
Balance, September 30, 2021	610,000	0.71
Cancelled	(365,000)	0.94
Balance, December 31, 2021	245,000	0.36

The following table summarizes the options outstanding and exercisable as at December 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
0.12	October 25, 2024	75,000	75,000
		245,000	245,000

As at December 31, 2021, the weighted average contractual life of the stock options was 1.34 years (September 30, 2021 – 2.81 years) and the weighted average exercise price was $0.36 per option (September 30, 2021 – $0.71).

During the three months ended December 31, 2021, the Company recorded share-based compensation of $81,525 (2020 – $Nil) for all stock options granted and vested during the period. The fair value of stock options granted was determined using the Black-Scholes option pricing model based on the following weighted average assumptions at the time of grant: risk free rate of 0.45%; dividend yield of 0%; stock price volatility of 196%; and an expected life of 3 years.

14. 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 (FVOCI)	Recent share transactions (Level 2) or implied share price as at measurement date (Level 3)
Derivatives (FVTPL)	Black-Scholes option pricing model (Level 3)
Measured at amortized cost	
Cash and cash equivalents	Carrying amount (approximates fair value due to short-term nature)
Advance receivable	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 loans and borrowings	Carrying value discounted at the effective interest rate (Level 2)

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

15. 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.

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.

15. Financial instruments risk (continued)

(a) 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 other assets. The risk for cash and cash equivalent balances are mitigated by holding these instruments with highly rated and reputable Canadian financial institutions. Credit risk associated with other assets is considered moderate.

(b) 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 December 31, 2021, the Company had working capital of $1,563,026 (September 30, 2021 – $2,195,166). 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.

(c) 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 December 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 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 6. As at December 31, 2021, the Company did not have any financial instruments subject to significant price risk.

(Unaudited - Expressed in Canadian dollars)

16. Capital management

The Company defines capital as share capital, reserves, 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 December 31, 2021.

17. Finance costs

	Three months ended December 31	
	2021	2020
	$	$
Accretion expense (Note 8, 9)	9,722	697
Interest expense	3,000	9,000
Bank charges	637	-
	13,359	9,697

18. Supplemental cash flow information

Cash and cash equivalents consist of:

	December 31, 2021	September 30, 2021
	$	$
Cash	1,418,752	2,008,857
Guaranteed Investment Certificate (GIC) (1)	500,000	500,000

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

19. 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.

20. Subsequent events

The following events occurred subsequent to December 31, 2021:

(a) The Company amended the exercise price of 558,078 warrants from $1.75 to $0.40 per share.

(b) The Company extended the expiry date of an aggregate of 4,723,654 warrants from February 2022 to August 31, 2022.

(c) The Company granted 3,350,000 stock options to directors, officers, consultants and employees at an exercise price of $0.42 per share for a period of five years and 2,075,000 restricted share units to directors, officers and consultants which vest over a period of two years.