RADIAL RESEARCH CORP.

Condensed Interim Financial Statements
August 31, 2019
(Expressed in Canadian Dollars)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection, 4.3 (3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Radial Research Corp. (the “Company”) have been prepared by and are the responsibility of the Company’s management. The unaudited condensed interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management’s best estimate and judgements based on information currently available.

The Company’s independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review on interim financial statements by an entity’s auditor.

RADIAL RESEARCH CORP.
Condensed Interim Statement of Financial Position
(Unaudited - Expressed in Canadian Dollars)

As at		August 31, 2019		May 31, 2019
Assets				
Current				
Cash and cash equivalents (Note 6)	$	920,997	$	442,632
Accounts receivable		7,067		5,564
		928,064		448,196
Intangible asset (Note 9)		156,000		168,000
Total Assets	$	1,084,064	$	616,196
Liabilities and Shareholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities (Note 6)	$	25,540	$	13,788
Non-Current Liabilities				
Convertible debenture (Note 5)		420,290		-
Total Liabilities	$	445,830	$	13,788
Shareholders' Equity				
Common Shares (Note 4)		875,734		874,890
Options Reserve (Note 4)		15,000		15,000
Warrants Reserve (Note 4)		19,719		20,000
Equity portion of convertible debenture (Notes 4 and 5)		81,285		-
Deficit		(353,504)		(307,482)
Total Shareholders' Equity (deficit)		638,234		602,408
Total Liabilities and Shareholders' Equity	$	1,084,064	$	616,196

Approved by on behalf of the Board:

Peter Smith (signed)
Peter Smith, Director

Guy Pinsent (signed)
Guy Pinsent, Director

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

RADIAL RESEARCH CORP.
Condensed Interim Statement of Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

For the three months ended August 31,		2019 (Unaudited)		2018 (Unaudited)
Operating Expenses				
Amortization (Note 9)	$	12,000	$	12,000
Financing and interest (Note 5)		2,617		-
Foreign exchange		1,632		(33)
General and administrative (Note 6)		21,632		11,430
Professional fees		8,141		-
Research and development		-		33,663
Net Loss and Comprehensive Loss for Period	$	46,022	$	57,060
Basic and Diluted Loss per Share	$	0.002	$	0.003
Weighted Average Number of Common Shares Outstanding		23,238,067		18,232,564

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

RADIAL RESEARCH CORP.
Interim Condensed Statements of Changes in Equity
(Unaudited - Expressed in Canadian Dollars)

	Number of Outstanding Shares	Common Shares	Equity portion of convertible debenture	Option Reserve	Warrants Reserve	Deficit	Total Shareholders' Equity
		$	$	$	$	$	$
Balance May 31, 2018	18,232,564	494,390	-	-	-	(134,447)	359,943
Net loss for the period	-	-	-	-	-	(57,060)	(57,060)
Balance, August 31, 2018	18,232,564	494,390	-	-	-	(191,507)	302,883
Common shares issued for cash (Note 4)	5,000,000	500,000	-	-	-	-	500,000
Share issuance costs (Note 4)	-	(119,500)	-	-	20,000	-	(99,500)
Share-based payments (Note 4)	-	-	-	15,000	-	-	15,000
Net loss for the period	-	-	-	-	-	(58,915)	(58,915)
Balance, May 31, 2019	23,232,564	874,890	-	15,000	20,000	(307,482)	602,408
Equity portion of convertible debenture (Notes 4 and 5)	-	-	81,285	-	-	-	81,285
Shares issued for exercise of agent warrants (Note 4)	5,625	844	-	-	(281)	-	563
Net loss for the period	-	-	-	-	-	(46,022)	(46,022)
Balance, August 31, 2019	23,238,189	875,734	81,285	15,000	19,719	(353,504)	638,234

RADIAL RESEARCH CORP.
Condensed Interim Statement of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

		Three months ended August 31, 2019		Three months ended August 31, 2018
Cash Provided by (Used in)				
Operating Activities				
Net loss	$	(46,022)	$	(57,060)
Items not affecting cash:				
Accretion of convertible debenture		1,575		-
Amortization		12,000		12,000
Changes in non-cash working capital items:				
Accounts receivable		(1,503)		-
Accounts payable and accrued liabilities		11,752		43,563
		(22,198)		(1,497)
Financing Activities				
Proceeds from exercise of agent warrants		563		-
Proceeds from issuance of convertible debenture		500,000		-
		500,563		-
Inflow (Outflow) of Cash and Cash Equivalents		478,365		(1,497)
Cash and cash equivalents - Beginning of period		442,632		164,803
Cash and cash equivalents - End of period	$	920,997	$	163,306
Supplemental disclosure of non-cash transactions:				
Amounts paid for interest	$	Nil	$	Nil
Amounts paid for taxes	$	Nil	$	Nil

There were no cash investing activities during the period ended August 31, 2019 or August 31, 2018.

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Radial Research Corp. (the "Company") was incorporated under the laws of the Province of British Columbia on June 26, 2017. On October 30, 2018, the Company completed its initial public offering ("IPO") (Note 4) and is now publicly traded on the Canadian Securities Exchange ("CSE") under the ticker RAD. The Company is a technology company that develops online and download technologies and services, including software, websites and smartphone applications, with its initial focus being a language training smartphone application called "Movie Method". The Company is also seeking other opportunities in ecommerce, internet and smartphone-based technologies.

The Company's registered and records office and principal place of business is 1090 West Georgia Street, Suite 600, Vancouver, British Columbia, V6E 3V7.

These condensed interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. There are material uncertainties that may cast significant doubt about the appropriateness of the going concern assumption as the Company is in the development stage and has not generated any revenues. The Company's continuing operations as intended are dependent upon the Company's ability obtain necessary financing to commercialize its technology. Should the Company fail to commercialize its technology, its ability to raise sufficient financing to maintain operations may be impaired and, accordingly, the Company may be unable to realize the carrying value of its net assets. These condensed interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34) as issued by the International Accounting Standards Board. Condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended May 31, 2019. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements as at and for the year ended May 31, 2019.

(b) Basis of presentation

These condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Approval of the financial statements

These condensed interim financial statements were authorized for issue by the Audit Committee and Board of Directors on October 23, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

Cash and cash equivalents comprises cash and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value.

(b) Financial instruments

(i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost, fair value through profit or loss or measured at fair value through other comprehensive income.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in the statement of comprehensive loss. The Company classifies cash as fair value through profit and loss.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

There are no financial assets classified as measured as amortized cost.

Financial assets measured at fair value through other comprehensive income (“FVTOCI”)
A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as “financial asset at fair value through other comprehensive income” in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to deficit when the financial instrument is derecognized or its fair value substantially decreases.

There are no financial assets classified as measured as FVTOCI.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

(i) Financial assets (Continued)

Derecognition

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable. The Company’s financial liabilities included accounts payable and accrued liabilities and are classified as measured at amortized cost.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The carrying value of cash and cash equivalents and accounts payable and accrued liabilities approximate their fair value due to the short-term maturity of these instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Common shares

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Common shares issued for consideration other than cash are valued at the fair value of the assets received or the services rendered. If the fair value of the assets received or services rendered cannot be reliably measured, common shares issued for consideration will be valued at their fair value on the date of issuance.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(d) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted earnings (loss) per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(e) Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets, as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Research and development

The Company incurs costs on activities that relate to research and development of new products. Research and development costs are expensed, except in cases where development costs meet certain identifiable criteria for deferral, including technical and economic feasibility. Development costs are capitalized only if the expenditures can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Deferred development costs are amortized over the life of related commercial production, or in the case of serviceable property and equipment, are included in the appropriate property group and are depreciated over its estimated useful life. As at August 31, 2019, the Company has not capitalized any research and development costs.

(g) Intangible assets

Recognition and measurement
Intangible assets include technology acquired by the Company and have finite useful lives and measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure
Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in the statement of comprehensive loss as incurred.

Amortization
Amortization is recorded using the straight-line method and is intended to amortize the cost of the assets over their estimated useful lives as follows:

Intellectual Property	5 years

(h) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of long-lived assets to determine whether there is an indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any).

The recoverable amount used for this purpose is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the statement of comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of non-financial assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(i) Compound financial instruments

Compound financial instruments issued by the Company comprise of convertible debentures that can be converted into common shares of the Company. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry, where this is transferred to common shares or contributed surplus.

(j) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income 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.

Critical Judgments

Intangible assets

The application of the Company's accounting policy for intangible assets expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in profit or loss in the period the new information becomes available.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Use of estimates and judgments (continued)

Research and development expenditures

Costs to develop products that will be sold are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any product development costs as at August 31, 2019.

Going concern

The assessment of whether the concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 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.

Recoverability of deferred tax assets

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements.

Significant estimates and assumptions

Expected useful life of intangible asset

Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. Amortization is recorded on a straight-line basis based upon management's estimate of the useful life and residual value. Management estimates that intangible assets acquired will have a useful life of 5 years. The estimates are reviewed at least annually and are updated if expectations change as a result of technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense.

Inputs to the Black-Scholes option pricing model

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 share prices, changes in subjective input assumptions can materially affect the fair value estimate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Foreign currency translation

The functional and presentation currency of the Company is the Canadian dollar. Transactions denominated in a currency other than an entity's functional currency are translated as follows: unsettled monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the date of the statement of financial position and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in profit or loss.

(l) Share-based payments

The Company has a stock option plan that is described in Note 4 and grants share options to acquire common shares of the Company to directors, officers, employees and consultants. Share-based payments to employees are measured at the fair value of the instruments granted. Share-based payments are measured at the fair value of the goods or services received or the fair value of the equity instruments issued as calculated using the Black-Scholes option pricing model. The offset to the recorded expense is to options reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related options reserve is transferred to share capital. For those options that expire, the recorded fair value in options reserve is transferred to deficit.

4. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

As of August 31, 2019, the total issued and outstanding share capital consists of 23,238,189 common shares.

On June 3, 2019, 5,625 agent warrants were exercised at $0.10 per share for cash proceeds of $563.

On October 29, 2018, the Company completed its IPO and issued 5,000,000 common shares of the Company at $0.10 per common share for gross processed of $500,000. In connection with this offering, the Company paid $99,500 in cash share issuance costs and issued 400,000 agent warrants with a total fair value of $20,000. Each agent warrant entitles the holder to purchase one common share of the Company at $0.10 per share for a period of 24 months.

On December 29, 2017, the Company issued 4,324,636 common shares of the Company at $0.05 per common share for total proceeds of $216,232.

On December 22, 2017, the Company issued 12,000,000 common shares of the Company at $0.02 per common share for total fair value of $240,000 to acquire assets related to intangible assets (Note 7).

(Unaudited - Expressed in Canadian Dollars)

4. SHARE CAPITAL (Continued)

On December 21, 2017, the Company issued 1,907,928 common shares of the Company at $0.02 per common share for total proceeds of $38,158.

On June 26, 2017, the Company issued 1 incorporation common share for $0.01 and subsequently cancelled the common share on December 21, 2017.

(c) Escrow shares

As at August 31, 2019, the Company had 10,430,946 (2018 – nil) shares held in escrow. Under the escrow agreement, 10% of the total shares were released upon listing with the Canadian Securities Exchange ("CSE") and 15% of the remaining shares would be released every six months following listing. The last release occurred on April 29, 2019. The next release is scheduled on October 29, 2019.

Stock Options

The Company has adopted a stock option plan (the "Plan") pursuant to which it may from time to time, in its discretion, and in accordance with CSE requirements, grant to directors, officers, and consultants to the Company, non-transferable options to purchase common shares of the Company and is the basis for the Company's long term incentive scheme. The Plan is administered by the Board, or if appointed, by a special committee of directors appointed from time to time by the Board. The maximum number of common shares issuable under the Plan shall not exceed 10% of the number of common shares of the Company issued and outstanding as of each award date, inclusive of all common shares reserved for issuance pursuant to previously granted stock options. The exercise price of options granted under the Plan will not be less than the closing market price of the Company's common shares on the exchange. The options have a maximum term of 5 years from date of issue.

The following is a summary of the changes in the Company's stock option plan for the three months ended August 31, 2019 and August 31, 2018:

Three months ended		**August 31, 2019**		**August 31, 2018**
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		$		**$**
Outstanding, beginning of period	500,000	0.10	500,000	0.10
Expired	-	-	-	-
Granted	100,000	0.17	-	-
Outstanding, end of period	600,000	0.11	500,000	0.10
Exercisable, end of period	500,000	0.10	500,000	0.10

(Unaudited - Expressed in Canadian Dollars)

4. SHARE CAPITAL (Continued)

On June 1, 2018 the Company granted stock options to purchase an aggregate of 500,000 common shares to management, directors and a consultant at an exercise price of $0.10 for a term of 5 years. The weighted average fair value of the 500,000 options was estimated at $0.03 per option at the grant date using the Black-Scholes Pricing Model using the following assumptions: no expected dividends to be paid; volatility of 100% based on comparable companies without a historical volatility; risk-free interest rate of 2%; and expected life of 5 years.

On August 19, 2019, the Company granted stock options to purchase an aggregate of 100,000 common shares to a consultant of the Company at an exercise price of $0.17 for a term of 5 years. The options are unvested as of August 31, 2019.

Share Warrants

The following is a summary of the changes in the Company's share purchase warrants in the three months ended August 31, 2019 and August 31, 2018:

Three months ended		**August 31, 2019**		**August 31, 2018**
	Number of share purchase warrants	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
		$		**$**
Outstanding, beginning of period	400,000	0.10	400,000	0.10
Expired	-	-	-	-
Granted	-	-	-	-
Exercised	(5,625)	0.10	-	-
Outstanding, end of period	394,375	0.10	400,000	0.10
Exercisable, end of period	394,375	0.10	400,000	0.10

The weighted average fair value of the agent warrants was estimated at $0.05 per warrant at the grant date using the Black-Sholes Pricing model using the following assumptions: no expected dividends to be paid; volatility of 100% based on industry standard for comparable companies without a historical volatility; risk free rate of 2%; and expected life of 2 years.

On June 3, 2019, 5,625 agent warrants were exercised at $0.10 per share for cash proceeds of $563.

(Unaudited - Expressed in Canadian Dollars)

5. CONVERTIBLE DEBENTURE

On August 20, 2019 the Company issued a convertible debenture for proceeds of $500,000 to a third party. The principal and interest under the debenture is convertible at the election of the debenture holder at any time at a conversion price of $0.15 per share, subject to conventional anti-dilution adjustments and to certain escrow release conditions. The convertible debenture has a maturity date of August 20, 2021 and bears interest at 5% per annum.

The Company valued the equity component of the debenture using the residual method and prorated the liability and equity portion accordingly. Under this method, the fair value of the debt component was calculated using an estimated market rate, 15%, for similar debt without warrants or a conversion feature. The liability component was $418,715 and the equity component was $81,285.

	Debenture Issue	**Liability component**	**Equity Component**
	$	$	$
Balance, May 31, 2019	-	-	-
Issued during period	500,000	418,715	81,285
Accretion of debt component	-	1,575	-
Balance, August 31, 2019	500,000	420,290	81,285

6. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and Corporate Officers.

The remuneration of key management for the three months ended August 31, 2019 and August 31, 2018 are as follows:

	2019	**2018**
	$	**$**
Consulting	9,000	-
Share-based compensation	-	15,000
	9,000	15,000

As at August 31, 2019, the Company had $9,900 (May 31, 2019 - $3,225) due to related parties included in accounts payable and accrued liabilities. Interest is not charged on outstanding balances and there are no specific terms of repayment.

7. RISK MANAGEMENT

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk for the Company is associated with its cash and cash equivalents. The Company limited exposure to credit risk by maintaining its cash and cash equivalents in trust with large financial institutions in Canada.

As of August 31, 2019, the Company had $300,000 (May 31, 2019 - $300,000) invested in Canadian dollar denominated redeemable guaranteed investment certificates with a term of less than twelve months.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. As at August 31, 2019, the Company has sufficient funds to meet its current obligations of $25,540 (May 31, 2019 - $13,788). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk. The Company is not exposed to significant market risk.

8. CAPITAL MANAGEMENT

The Company's primary sources of funds comes from the issuance of common shares and a convertible debenture. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and to further develop its language learning technology.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid.

(Unaudited - Expressed in Canadian Dollars)

9. INTANGIBLE ASSET

	$
COST	
Balance May 31, 2019	240,000
Additions during period	-
Balance August 31, 2019	240,000
AMORTIZATION	
Balance, May 31, 2019	72,000
Charge for the period	12,000
Balance, August 31, 2019	84,000
NET BOOK VALUE	
Balance August 31, 2018	204,000
Balance, May 31, 2019	168,000
Balance, August 31, 2019	156,000

The intangible asset consists of intellectual property for the language learning technology application acquired from a third party (Note 4).

10. SEGMENTED INFORMATION

The Company's business consists of one reportable segment and all of the Company's assets are located in Canada. The Company is currently developing a language learning technology application for smartphones.