Smythe
CPA

RADIAL RESEARCH CORP.

Financial Statements

For the years ended May 31, 2021 and 2020
(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF RADIAL RESEARCH CORP.

Opinion

We have audited the financial statements of Radial Research Corp. (the "Company"), which comprise:

- the statements of financial position as at May 31, 2021 and 2020;
- the statements of comprehensive loss for the years then ended;
- the statements of changes in shareholders' equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2021 and 2020, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $653,309 during the year ended May 31, 2021 and, as of that date, the Company has a deficit of $1,181,364. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in our audits or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

September 28, 2021

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RADIAL RESEARCH CORP.
Statements of Financial Position
(Expressed in Canadian Dollars)

As at	May 31, 2021	May 31, 2020
Assets		
Current		
Cash and cash equivalents (Note 8)	$ 680,903	$ 822,528
Prepaids	7,125	-
Accounts receivable	10,939	5,340
Assets held for sale (Note 5)	-	120,000
	698,967	947,868
Intangible assets, net (Note 10)	569,400	200,000
Total Assets	$ 1,268,367	$ 1,147,868
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 6, 7 and 8)	$ 78,679	$ 37,205
Non-Current Liabilities		
Convertible debenture (Note 6)	447,932	448,646
Total Liabilities	$ 526,611	$ 485,851
Shareholders' Equity		
Common Shares (Note 4)	1,409,734	1,075,734
Options Reserve (Note 4)	35,000	30,000
Warrants Reserve (Note 4)	-	19,719
Equity Portion of Convertible Debenture (Note 6)	478,386	59,338
Deficit	(1,181,364)	(522,774)
Total Shareholders’ Equity	741,756	662,017
Total Liabilities and Shareholders' Equity	$ 1,268,367	$ 1,147,868

Approved by on behalf of the Board:

Chris Haill (signed)
Chris Haill, Director

Andrew King (signed)
Andrew King, Director

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

RADIAL RESEARCH CORP.
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

Years ended May 31,	2021	2020
Operating Expenses		
Amortization (Note 10)	$ 44,600	$ 48,000
Financing and interest (Note 6)	66,439	50,036
General and administrative (Note 7)	79,933	94,515
Professional fees	70,115	37,439
Share-based payments (Notes 4 and 7)	20,000	15,000
	281,087	244,990
Other Items		
Foreign exchange	4,777	(1,712)
Loss on modification of convertible debenture (Note 6)	376,828	-
Interest income	(9,383)	(6,039)
	372,222	(7,751)
Net Loss Before Income Tax Recovery	653,309	237,239
Income tax recovery (Notes 6 and 11)	-	(21,947)
Net Loss and Comprehensive Loss	$ 653,309	$ 215,292
Basic Loss per Share	$ 0.03	$ 0.01
Weighted Average Number of Common Shares Outstanding	23,535,723	23,281,874

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

RADIAL RESEARCH CORP.
Statements of Changes in Shareholders' Equity
(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, 2019	23,232,564	874,890	-	15,000	20,000	(307,482)	602,408
Equity portion of convertible debenture (Note 6)	-	-	81,285	-	-	-	81,285
Deferred income tax recovery	-	-	(21,947)	-	-	-	(21,947)
Common shares issued for intangible asset (Note 10)	4,000,000	200,000	-	-	-	-	200,000
Shares issued for exercise of agent warrants (Note 4)	5,625	844	-	-	(281)	-	563
Share-based payments (Note 4)	-	-	-	15,000	-	-	15,000
Net loss for the year	-	-	-	-	-	(215,292)	(215,292)
Balance, May 31, 2020	27,238,189	1,075,734	59,338	30,000	19,719	(522,774)	662,017
Modification of convertible debenture (Note 6)	-	-	419,048	-	-	-	419,048
Cancellation of common shares (Note 5)	(4,000,000)	(80,000)	-	-	-	(40,000)	(120,000)
Common shares issued for intangible asset (Note 10)	4,600,000	414,000	-	-	-	-	414,000
Expiry of stock options and warrants	-	-	-	(15,000)	(19,719)	34,719	-
Share-based payments (Note 4)	-	-	-	20,000	-	-	20,000
Net loss for the year	-	-	-	-	-	(653,309)	(653,309)
Balance, May 31, 2021	27,838,189	1,409,734	478,386	35,000	-	(1,181,364)	741,756

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

RADIAL RESEARCH CORP.
Statements of Cash Flows
(Expressed in Canadian Dollars)

Years Ended May 31,		**2021**		**2020**
Cash Provided by (Used in)				
Operating Activities				
Net loss	$	(653,309)	$	(215,292)
Items not affecting cash:				
Loss on modification of convertible debenture		376,828		-
Accretion of convertible debenture		41,506		29,931
Amortization		44,600		48,000
Share-based payments		20,000		15,000
Deferred income tax recovery		-		(21,947)
Changes in non-cash working capital items:				
Accounts receivable		(5,599)		224
Prepaids		(7,125)		-
Accounts payable and accrued liabilities		41,474		23,417
		(141,625)		(120,667)
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		(141,625)		379,896
Cash and Cash Equivalents - Beginning of Year		822,528		442,632
Cash and Cash Equivalents - End of Year	$	680,903	$	822,528
Supplemental disclosure of non-cash transactions:				
Shares issued for acquisition of intangible assets	$	414,000	$	200,000
Amounts paid for interest	$	Nil	$	Nil
Amounts paid for taxes	$	Nil	$	Nil

There were no cash investing activities during the years ended May 31, 2021 and 2020.

The accompanying notes are an integral part of these 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") 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. The Company is also seeking other opportunities in ecommerce, internet and smartphone-based technologies.

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

These 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. As at May 31, 2021, the Company has a deficit of $1,181,364 (2020 - $522,774) and for the year then ended, incurred a net loss of $653,309 (2020 - $215,292). The Company's continuing operations as intended are dependent upon the Company's ability to obtain the necessary financing to commercialize its technology and administer overhead expenses. 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 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.

In early 2020, there was a global outbreak of COVID-19, which continues to rapidly evolve. The extent to which the COVID-19 coronavirus may impact the Company's operations will be dependent on future developments, which as of this time are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, and social distancing in Canada and other countries, business closures or business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. BASIS OF PRESENTATION (Continued)

(b) Basis of presentation

These 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 financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Approval of the financial statements

These financial statements were authorized for issue by the Audit Committee and Board of Directors on September 28, 2021.

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

<u>Initial recognition and measurement</u>

A financial asset is measured initially at fair value less, 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.

<u>Subsequent measurement</u>

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 recognized in profit or loss. The Company classifies cash and cash equivalents as fair value through profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

(i) Financial assets (Continued)

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 less transaction costs 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 remain within accumulated other comprehensive income when the financial instrument is derecognized or its fair value substantially decreases.

There are no financial assets classified as measured as FVTOCI.

<u>Derecognition</u>

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

(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 include accounts payable and accrued liabilities and convertible debentures, both of which 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. The carrying value of convertible debentures is determined utilizing Level 3 inputs and should not be interpreted as being realizable in an immediate settlement of the financial instrument.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 May 31, 2021, 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 expenditures
Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or 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 profit or 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)

Business combination or asset acquisition

Management has had to apply judgments relating to the asset purchase transactions with respect to whether the acquisition was a business combination or an asset acquisition. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of the acquisition in order to reach a conclusion.

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 May 31, 2021.

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, 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.

Assets held for sale

Judgment is required in determining whether an asset meets the criteria for classification as "assets held for sale" in the statement of financial position. Criteria considered by management includes the existence of and commitment to a plan to dispose of the assets, the expected selling price of the assets, the expected timeframe of the completion of the anticipated sale and the period of time any amounts have been classified within assets held for sale. The Company reviews the criteria for assets held for sale each period and reclassifies such assets to or from this financial statement category as appropriate. On reclassification, the Company determines the fair value of assets held for sale in comparison to their carrying values. In addition, there is a requirement to periodically evaluate and record assets held for sale at the lower of their carrying value and fair value less costs to sell.

Compound financial instruments

The identification of compound financial instruments is based on interpretations of the substance of the contractual agreement and therefore requires judgment from management. The separation of the components affects the initial recognition of these instruments at issuance and the subsequent recognition of interest expense and accretion expense. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount factors and the presence of any derivative financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Use of estimates and judgments (Continued)

Modification vs. extinguishment of debt

Judgment is required in applying IFRS 9 *Financial Instruments* ("IFRS 9") to determine whether the amended terms of the convertible debentures are a substantial modification of an existing financial liability or whether it should be accounted for as an extinguishment of the original financial liability.

Significant estimates and assumptions

Expected useful life of intangible assets

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.

Shares issued for consideration

The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration. Shares are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services for share-based payments made to those other than employees or others providing similar services.

Recoverability of asset carrying values

Determining the amount of impairment of intangible 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.

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 May 31, 2021, the total issued and outstanding share capital consists of 27,838,189 common shares.

On May 11, 2021, the Company issued 4,600,000 common shares of the Company at $0.09 per common share for total fair value of $414,000 to acquire an intangible asset (Note 10)

On June 4, 2020, the Company disposed of all right, title and interest to the Movie Method application in exchange for cancelling 4,000,000 common shares of the Company held by the purchaser (Note 5).

On May 28, 2020, the Company issued 4,000,000 common shares of the Company at $0.05 per common share for total fair value of $200,000 to acquire an intangible asset (Notes 5 and 10)

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

(Expressed in Canadian Dollars)

4. SHARE CAPITAL (Continued)

(c) Escrow shares

As at May 31, 2021, the Company had 2,086,190 (2020 – 7,093,043) shares subject to escrow. Under the escrow agreement, 10% of the total shares were released upon listing with the CSE and 15% of the remaining shares are to be released every six months following listing. The most recent release was scheduled on April 30, 2021. The next release is scheduled on October 31, 2021.

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 CSE. 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 options for the years ended May 31, 2021 and 2020:

	Year Ended May 31, 2021		**Year ended May 31, 2020**	
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Outstanding, beginning of year	600,000	0.12	500,000	0.10
Expired	(500,000)	0.10	-	-
Granted	250,000	0.11	100,000	0.20
Outstanding and exercisable, end of year	350,000	0.14	600,000	0.12

On October 25, 2019, the Company granted stock options to purchase an aggregate of 100,000 common shares to the Chief Financial Officer of the Company at an exercise price of $0.20 for a term of 5 years. The options fully vested on January 25, 2020. The weighted average fair value of the 100,000 options was estimated at $0.15 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 1.62%; and expected life of 5 years.

(Expressed in Canadian Dollars)

4. SHARE CAPITAL (Continued)

On March 16, 2021, the Company granted stock options to purchase an aggregate of 250,000 common shares to the Chief Executive Officer of the Company at an exercise price of $0.11 for a term of 5 years. The options fully vested on grant. The weighted average fair value of the 250,000 options was estimated at $0.08 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 0.83%; and expected life of 5 years.

The expected volatility is based on historical prices of the Company and comparable entities in similar industries. The risk-free rate of return is the yield on a zero-coupon Canadian treasury bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

The weighted average remaining life for the outstanding and exercisable options at May 31, 2021 is 4.39 years (2020 – 3.24).

Share Warrants

The following is a summary of the changes in the Company's share purchase warrants for the years ended May 31, 2021 and 2020:

	Year Ended May 31, 2021		**Year ended May 31, 2020**	
	Number of share purchase warrants	**Weighted average exercise price $**	**Number of share purchase warrants**	**Weighted average exercise price $**
Outstanding, beginning of year	394,375	0.10	400,000	0.10
Expired	(394,375)	0.10	-	-
Granted	-	-	-	-
Exercised	-	-	(5,625)	0.10
Outstanding, end of year	-	-	394,375	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 2.00%; and expected life of 2 years.

The weighted average remaining life for the outstanding warrants at May 31, 2021 is 0.00 years, as the warrants expired (2020 – 0.39).

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

(Expressed in Canadian Dollars)

5. ASSET HELD FOR SALE

On June 4, 2020, the Company disposed of all right, title and interest to the Movie Method application, including without limitation all intellectual property associated with the application to a significant shareholder of the Company. In consideration for the disposal, the Company and the purchaser agreed to cancel 4,000,000 common shares of the Company held by the purchaser. As a result, as at May 31, 2020, management determined that the intangible asset met the definition of an asset held for sale in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations* ("IFRS 5"). In accordance with IFRS 5, the Company reclassified the carrying value of $120,000 from intangible assets to asset held for sale. The Company remeasured the asset and determined that the fair value less costs of disposal was higher than the carrying value. As such, no adjustments were made to the carrying value on reclassification.

6. 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 liability component was calculated using an estimated market rate, 15%, for similar debt without warrants or a conversion feature. The liability component at inception was calculated to be $418,715 and the equity component was $81,285.

On March 25, 2021, the Company amended the terms of the debenture to extend the maturity date to August 19, 2022 and reduce the conversion price to $0.07 per share. The amendment was determined to be a modification of the existing debenture and a loss of $376,828 (2020 - $nil) was recorded.

	Debenture Issue $	Liability Component $	Equity Component $
Balance, May 31, 2019	-	-	-
Issued during year	500,000	418,715	81,285
Accretion of liability component	-	29,931	-
Deferred income tax recovery	-	-	(21,947)
Balance, May 31, 2020	500,000	448,646	59,338
Accretion of liability component	-	41,506	-
Modification	-	(42,220)	419,048
Balance, May 31, 2021	500,000	447,932	478,386

During the year ended May 31, 2020, the Company incurred $24,933 (2020 - $19,792) of accrued interest which is included in accounts payable and accrued liabilities.

7. 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 year ended May 31, 2021 and 2020 are as follows:

	2021 **$**	**2020** **$**
Consulting	30,000	37,500
Share-based compensation	20,000	15,000
	50,000	52,500

As at May 31, 2020, the Company had $7,735 (2020 - $4,575) 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.

8. 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 limits exposure to credit risk by maintaining its cash and cash equivalents in trust with large financial institutions in Canada.

As of May 31, 2021, the Company had $nil (2020 - $675,000) 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 May 31, 2021, the Company has sufficient funds to meet its current obligations of $78,679 (2020 - $37,205). The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's convertible debenture of $500,000, as well as accrued interest of $44,725, matures on August 19, 2022.

(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.

(Expressed in Canadian Dollars)

9. 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 technology.

The Company defines its capital as shareholders' equity and convertible debentures. 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. There have been no changes to the Company's approach to capital management during the year ended May 31, 2021.

10. INTANGIBLE ASSETS

	Movie Method	Zoompages	Chatvertizer	Total
COST	$	$	$	$
Balance, May 31, 2019	240,000	-	-	240,000
Additions	-	200,000	-	200,000
Transfer to asset held for sale (Note 5)	(240,000)	-	-	(240,000)
Balance, May 31, 2020	-	200,000	-	200,000
Additions	-	-	414,000	414,000
Balance, May 31, 2021	-	200,000	414,000	614,000
AMORTIZATION				
Balance, May 31, 2019	72,000	-	-	72,000
Additions	48,000	-	-	48,000
Transfer to asset held for sale (Note 5)	(120,000)	-	-	(120,000)
Balance, May 31, 2020	-	-	-	-
Additions	-	40,000	4,600	44,600
Balance, May 31, 2021	-	40,000	4,600	44,600
NET BOOK VALUE				
Balance, May 31, 2020	-	200,000	-	200,000
Balance, May 31, 2021	-	160,000	409,400	569,400

(Expressed in Canadian Dollars)

10. INTANGIBLE ASSETS (Continued)

On May 28, 2020, the Company entered into an agreement with two third parties for the acquisition of the rights, title and interest in and to Zoompages, an E-commerce sales funnel Content Management System ("CMS") through the issuance of 4,000,000 shares of common shares at $0.05 per share for aggregate consideration of $200,000.

On March 11, 2021, the Company entered into an agreement with two third parties for the acquisition of the rights, title and interest in and to Chatvertizer through the issuance of 4,600,000 shares of common shares with a fair value of $0.09 per share for aggregate consideration of $414,000.

11. INCOME TAXES

The following table reconciles the amount of income tax expense on application of the combined statutory Canadian federal and provincial income tax rates:

	2021	2020
Net loss	$ (653,309)	$ (237,239)
Statutory rates	27.00%	27.00%
Income tax recovery at statutory rate	(176,393)	(64,055)
Under (over) provided in prior years	(480)	1,186
Items not deductible for tax purposes	5,400	12,292
Benefit of tax losses not recognized	171,473	28,630
Income tax expense (recovery)	$ -	$ (21,947)

The Company recognizes tax benefits on losses or other deductible amounts where it is probable future taxable income for the recognition of deferred tax assets has been met. The Company carries convertible debt with an equity portion for accounting purposes which gives rise to temporary differences that result in deferred tax liabilities for which deferred tax assets can be recognized, consisting of the following:

	2021	2020
Deferred tax liability on equity portion of convertible debenture	$ -	$ (81,285)
Deferred tax asset recognized to offset liability	-	81,285
	$ -	$ -

Additionally, the Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consists of the following amounts:

	2021	2020
Intangible asset	$ 44,600	$ 120,000
Share issuance costs	$ 39,800	$ 59,700
Non-capital loss carry forward	$ 596,000	$ 352,600

11. INCOME TAXES (Continued)

As at May 31, 2021, the Company has $596,000 (2020 - $352,600) in estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. The non-capital losses expire in 2038 to 2041.

12. SEGMENTED INFORMATION

The Company's business consists of one reportable segment and all of the Company's assets are located in Canada.