



TELESCOPE INNOVATIONS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2022 AND 2021

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Telescope Innovations Corp.

Opinion

We have audited the consolidated financial statements of Telescope Innovations Corp. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at August 31, 2022 and 2021, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 Consolidated 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 consolidated 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 is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, 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.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
December 23, 2022

TELESCOPE INNOVATIONS CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at August 31, 2022 and 2021

	Note	2022	2021
ASSETS			
Current assets			
Cash	\$	719,493	\$ 3,294,388
Accounts receivable		503,954	-
Sales taxes recoverable		215,103	63,659
Prepaid expenses and deposits		58,053	116,545
Total current assets		1,496,603	3,474,592
Equipment	6	1,526,956	599,566
Total assets	\$	3,023,559	\$ 4,074,158
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$	480,277	\$ 197,068
Amounts due to related parties	9	39,375	50,000
Deferred revenue		831,375	-
Total liabilities		1,351,027	247,068
EQUITY			
Share capital	8	8,954,720	8,104,720
Equity reserves	8	2,742,469	-
Accumulated deficit		(10,024,657)	(4,277,630)
Total equity		1,672,532	3,827,090
Total liabilities and equity	\$	3,023,559	\$ 4,074,158

Nature and continuance of operations (Note 1)
Subsequent event (Note 14)

Approved by the Board on December 23, 2022:

“Robert Mintak”
Director

“James Andrew Robinson”
Director

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

TELESCOPE INNOVATIONS CORP.

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

For the Years Ended August 31, 2022 and 2021

	Note	2022	2021
Revenues	11	\$ 595,398	\$ -
Expenses			
Advertising and promotion		13,316	4,904
Amortization		276,340	-
Business development		93,563	73,857
Consulting		1,110,958	151,256
Foreign exchange gain		(9,873)	1,708
Insurance		12,252	776
Listing expense	5	-	3,131,260
Lab operations and supplies		353,413	171,127
Management fees	9	200,400	90,674
Office and miscellaneous		96,735	84,976
Patent costs	7	930,148	15,647
Professional fees		216,200	106,784
Regulatory and transfer agent fees		89,722	5,579
Research and development		59,559	129,833
Rent		111,508	4,900
Share-based payments	8	2,742,469	51,023
Travel		45,715	1,015
		(6,342,425)	(4,025,319)
Net loss and comprehensive loss		\$ (5,747,027)	\$ (4,025,319)
Basic and diluted loss per share		\$ (0.12)	\$ (0.16)
Weighted average number of common shares outstanding – basic and diluted		48,424,426	25,886,843

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

TELESCOPE INNOVATIONS CORP.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital Amount	Equity Reserves	Share Subscriptions Received in Advance	Accumulated Deficit	Total Equity
Balance at September 1, 2020	1	\$ -	\$ -	\$ 261,000	(252,311)	\$ 8,689
Shares cancelled	(1)	-	-	-	-	-
Shares issued for services (Note 8)	1,700,741	51,023	-	-	-	51,023
Shares issued, net of cost (Note 8)	36,085,329	5,053,697	-	(261,000)	-	4,792,697
Shares of ClearMynd exchanged for shares of Telescope (Note 8)	(37,786,070)	-	-	-	-	-
Share exchange agreement (Note 5)	10,000,000	3,000,000	-	-	-	3,000,000
Net loss and comprehensive loss	-	-	-	-	(4,025,319)	(4,025,319)
Balance, August 31, 2021	47,786,070	\$ 8,104,720	\$ -	\$ -	(4,277,630)	\$ 3,827,090
Share-based payments	-	-	2,742,469	-	-	2,742,469
Shares issued for Technology Assignment Agreement (Note 8)	1,000,000	850,000	-	-	-	850,000
Net loss and comprehensive loss	-	-	-	-	(5,747,027)	(5,747,027)
Balance, August 31, 2022	48,786,070	\$ 8,954,720	\$ 2,742,469	\$ -	(10,024,657)	\$ 1,672,532

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

TELESCOPE INNOVATIONS CORP.

Consolidated Statements of cash flows
(Expressed in Canadian dollars)
For the Years Ended August 31, 2022 and 2021

	2022	2021
CASH PROVIDED BY (USED IN):		
Operating Activities		
Net loss	\$ (5,747,027)	\$(4,025,319)
Adjustments for non-cash items:		
Share-based payments	2,742,469	51,023
Amortization	276,340	-
Shares issued for Technology Assignment Agreement	850,000	-
Listing expense	-	3,058,752
Change in non-cash working capital items		
Sales taxes recoverable	(151,444)	(63,659)
Accounts receivable – trade	(503,954)	-
Prepaid expenses and deposits	58,492	(115,878)
Due to related parties	(10,625)	-
Accounts payable and accrued liabilities	283,209	154,084
Deferred revenue	831,375	-
Cash used in operating activities	(1,371,165)	(940,997)
Investing Activities		
Equipment purchases	(1,203,730)	(599,566)
Cash used in investing activities	(1,203,730)	(599,566)
Financing Activities		
Proceeds from the issuance of shares, net of costs	-	4,792,697
Repayment of promissory note	-	(7,070)
Cash acquired on reverse acquisition transaction	-	253
Cash provided by financing activities	-	4,785,880
Change in cash during the year	(2,574,895)	3,245,372
Cash, Beginning	3,294,388	49,071
Cash, Ending	\$ 719,493	\$ 3,294,388

Supplemental Cash Flow Information

Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

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

TELESCOPE INNOVATIONS CORP.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended August 31, 2022, and 2021

1. NATURE AND CONTINUANCE OF OPERATIONS

Telescope Innovations Corp. (the “Company” or “Telescope”), formerly Culmina Ventures Corp., was incorporated under the British Columbia Business Corporations Act on March 25, 2019. On May 31, 2021, the Company completed a share exchange agreement with ClearMynd Technology Solutions Corp. (“ClearMynd”) giving effect of the acquisition of ClearMynd’s outstanding common shares by Telescope as a reverse acquisition transaction (Note 5). These consolidated financial statements include the historical operations, assets and liabilities of ClearMynd, which is deemed to be the continuing entity for financial reporting purposes. ClearMynd was incorporated under the British Columbia Business Corporations Act on July 30, 2019.

The Company intends to focus on the development as a Contract Research Organisation (“CRO”) to develop intellectual property, contract research and build automation products. The Company intends to raise additional equity, as needed, in order to pursue future business opportunities. The address of the Company’s corporate office and principal place of business is 2200-885 West Georgia Street, Vancouver, British Columbia, V6C 2E8, Canada.

These consolidated financial statements have been prepared on a going concern basis which assumes the continued realization of assets and satisfaction of liabilities and commitments in the normal course of business.

During the year ended August 31, 2022, the Company incurred a net loss of \$5,747,027 and as at August 31, 2022, the Company had a working capital of \$145,576 and an accumulated deficit of \$10,024,657 which has been funded primarily by the issuance of equity. The Company has incurred operating losses to date and is currently unable to self-finance its future operations. The Company’s ability to continue as a going concern is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors and generating profitable operations in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements. Such adjustments could be material.

Risks associated with Public Health Crises, including COVID-19

The Company’s business, operations and financial condition could be materially adversely affected by the outbreak of epidemics, pandemics or other health crises, such as the outbreak of COVID-19 that was designated as a pandemic by the World Health Organization on March 11, 2020. The international response to the spread of COVID-19 has led to significant restrictions on travel, temporary business closures, quarantines, global stock market volatility and a general reduction in consumer activity. Such public health crises can result in operating, supply chain and project development delays and disruptions, global stock market and financial market volatility, declining trade and market sentiment, reduced movement of people and labour shortages, and travel and shipping disruption and shutdowns, including as a result of government regulation and prevention measures, or a fear of any of the foregoing, all of which could affect commodity prices, interest rates, credit risk and inflation. In addition, the current COVID-19 pandemic, and any future emergence and spread of similar pathogens could have an adverse impact on global economic conditions which may adversely impact the Company’s operations, and the operations of suppliers, contractors and service providers, including smelter and refining service providers, and the demand for the Company’s production.

TELESCOPE INNOVATIONS CORP.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended August 31, 2022, and 2021

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

The Company may experience business interruptions, including suspended (whether government mandated or otherwise) or reduced operations relating to COVID-19 and other such events outside of the Company's control, which could have a material adverse impact on its business, operations and operating results, financial condition and liquidity.

As at the date of the consolidated financial statements, the duration of the business disruptions internationally and related financial impact of COVID-19 cannot be reasonably estimated. It is unknown whether and how the Company may be affected if the pandemic persists for an extended period of time. In particular, the region in which we operate may not have sufficient public infrastructure to adequately respond or efficiently and quickly recover from such event, which could have a materially adverse effect on the Company's operations.

The Company's exposure to such public health crises also includes risks to employee health and safety. Should an employee, contractor, community member or visitor become infected with a serious illness that has the potential to spread rapidly, this could place the Company's workforce at risk.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on December 23, 2022.

b) Basis of consolidation

These consolidated financial statements include the assets and operations of the Company and its wholly owned subsidiaries ClearMynd Technology Solutions Corp. and 1280225 B.C. Ltd. All significant intercompany transactions and balances have been eliminated upon consolidation.

c) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

TELESCOPE INNOVATIONS CORP.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended August 31, 2022, and 2021

2. SIGNIFICANT ACCOUNTING POLICIES

d) Cash and cash equivalents

Cash in the statements of financial position is comprised solely of cash held in banks. The Company did not have any cash equivalents as of August 31, 2022, and 2021.

e) Income taxes

i) Current income tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and includes any adjustments to tax payable or receivable in respect of previous years.

ii) Deferred income tax

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f) Revenue from Contracts with Customers

The Company applies IFRS 15, *Revenue from Contracts with Customers*. Accordingly, revenue is recognized with a client obtains controls of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Revenue is measured based on the consideration specified in the contract with a client and excludes amounts collected on behalf of third parties.

The Company's generates revenues through contracts with customers to provide the sale of automation products, contract research, and IP licensing. Revenue relating to the sale of products and services is recognized when control and ownership of the product has transferred or the deliverable for services is provided to the customer and an amount that reflects the consideration the Company expects to receive in exchange for the goods and services. The Company also enters into long-term fixed priced contracts with its customers for the sale of services. Revenues from these contracts are recognized upon the achievement of agreed to milestones or periodically over the term of the contract when invoiced to the customer by the Company. In instances where the Company cannot reasonably measure progress towards completing its performance obligations but expects to recover its costs incurred, the Company recognizes revenue only to the extent of costs incurred until it can reasonably measure the outcome of its performance obligations.

Deferred revenues represent amounts invoiced in excess of revenues recognized. For contracts with multiple performance obligations, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative stand-alone selling price basis.

TELESCOPE INNOVATIONS CORP.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended August 31, 2022, and 2021

2. SIGNIFICANT ACCOUNTING POLICIES

f) Financial Instruments

Financial Assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. The Company measures cash at FVTPL. The Company's accounts receivable are measured at amortized cost.

Impairment of Financial Assets

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial Liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities required to be measured at FVTPL or if the Company has opted to measure them at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and due to related parties are measured at amortized cost.

TELESCOPE INNOVATIONS CORP.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended August 31, 2022, and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial Instruments (continued)

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

h) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party when there is a transfer of resources or obligations between related parties.

i) Equipment

Equipment is recorded at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Residual values and useful economic lives are reviewed at least annually and are adjusted if appropriate at each reporting date. Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance expense during the period in which they are incurred. Gains and losses on disposal of equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized net within other income in the consolidated statement of comprehensive loss.

Amortization is recognized in profit or loss and equipment are amortized using the straight-line method over their estimated useful lives of five years.

j) Research and development expenditures

Research expenditures are expensed in the period incurred. Product development expenditures are expensed in the period incurred unless the product under development meets specific criteria related to technical, market and financial feasibility for deferral and amortization. The Company's policy is to amortize deferred product development expenditures over the expected future life of the product once product revenues or royalties are recorded.

k) Share capital

The Company records the proceeds received net of direct issuance costs from the issuance of its common shares as equity. Proceeds received on the issuance of units, consisting of common shares and warrants are allocated between the common share and warrant component. The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

TELESCOPE INNOVATIONS CORP.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended August 31, 2022, and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Share-based payment transactions

Employees receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is recognized, together with a corresponding increase in share-based payment reserves in equity, over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in statement of loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in share-based payments expense.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions, for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

m) Loss per share

The Company presents basic and diluted 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 common shares outstanding during the period. Diluted 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.

n) Foreign currency

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company and its subsidiaries operate ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

TELESCOPE INNOVATIONS CORP.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended August 31, 2022, and 2021

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include share-based payments and deferred income taxes. Critical judgments that have the most effect on the amounts recognized in the consolidated financial statements include the Company's ability to continue as a going concern and revenue recognition.

4. NEW ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant effect on the Company's consolidated financial statements.

5. REVERSE ACQUISITION TRANSACTION

On May 31, 2021, ClearMynd closed a share exchange agreement with Telescope, whereby Telescope acquired all the issued and outstanding securities in the capital of ClearMynd in exchange for the common shares of Telescope. The acquisition of ClearMynd by Telescope is accounted for as a reverse takeover, whereby, ClearMynd is deemed to be the acquirer and Telescope is deemed to be the acquiree. The acquisition constitutes an asset acquisition as Telescope did not meet the definition of a business as defined in IFRS 3, *Business Combinations*. As a result, the acquisition is accounted for in accordance with IFRS 2, *Share-based Payments* whereby ClearMynd is deemed to have issued shares in exchange for the net assets of Telescope together with its listing status at the fair value of the consideration deemed received by ClearMynd and the share capital of Telescope is eliminated as a result of the acquisition. The consolidated financial statements on the combined entity are issued under the legal parent, Telescope, but are considered a continuation of the financial statements, assets and operations of the legal subsidiary, ClearMynd.

The listing expense of \$3,131,260 is comprised of the fair value of the common shares of Telescope retained by the former shareholders of Telescope and other direct expenses of the transaction less the fair value of the net assets of the Company that were acquired and is summarized as follows:

Common shares issued (10,000,000 shares at \$0.30)	\$ 3,000,000
Legal and other transactions costs	72,508
	<hr/>
	3,072,508
Net liabilities of the Company:	
Cash	(253)
Accounts payable	51,935
Promissory notes	7,070
	<hr/>
	58,752
Listing expense	\$ 3,131,260

The Company has estimated the fair value of the 10,000,000 common shares based on the fair value of the special warrants issued in the private placements in March 2021 (Note 8).

TELESCOPE INNOVATIONS CORP.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended August 31, 2022, and 2021

6. EQUIPMENT

During the year ended August 31, 2021, the Company purchased \$599,566 of equipment to facilitate the establishment of a laboratory. On September 13, 2021, the laboratory was established and began operations. During the period ended August 31, 2022, the Company purchased \$1,203,730 of equipment. The equipment is being depreciated using the straight-line method over a five useful life of the equipment.

	Office furniture and equipment
Cost	
Balance, August 31, 2020 and August 31, 2021	\$ 599,566
Additions	1,203,730
Balance, August 31, 2022	\$ 1,803,296
Accumulated amortization	
Balance, August 31, 2020 and August 31, 2021	-
Additions	276,340
Balance, August 31, 2022	276,340
Net book value	
Balance, August 31, 2020 and August 31, 2021	599,566
Balance, August 31, 2022	\$ 1,526,956

7. TECHNOLOGY ASSIGNMENT AGREEMENT

On November 29, 2021, the Company entered into an agreement with the University of British Columbia ("UBC") in which UBC has agreed to assign all interest in and to a provisional patent application related to the development of scalable synthetic psilocybin and other tryptamine compounds. The Company was also granted the option by UBC to acquire additional technological developments related to the patent application in the future. In consideration for the assignment of the interest, and the grant of the option, on January 10, 2022 the Company issued 1,000,000 common shares with a fair value of \$ 850,000 to UBC.

8. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares without par value. Issued and outstanding as at August 31, 2022: 48,786,070 common shares.

Escrow Shares

In connection with the Company's direct listing on the Canadian Securities Exchange during the year, the Company entered into an Escrow Agreement dated September 27, 2021, whereby 11,643,741 common shares were held in escrow and are scheduled for release in accordance with the terms of the Escrow Agreement. As at August 31, 2022, there were 8,732,805 common shares in escrow.

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8. SHARE CAPITAL (continued)

Share issuance

During the year ended August 31, 2022, the Company carried out the following common share transactions:

- a. On November 29, 2021 the Company entered into an agreement with the University of British Columbia ("UBC") in which UBC has agreed to assign all interest in and to a provisional patent application and intellectual property related to the development of scalable synthetic psilocybin and other tryptamine compounds. The Company was also granted the option by UBC to acquire additional technological developments related to the patent application in the future. In consideration for the assignment of the interest, and the grant of the option, on January 10, 2022, the Company issued 1,000,000 common shares with an estimated fair value of \$850,000 to UBC.

During the year ended August 31, 2021, the Company carried out the following common share transactions:

- a. During the year ended August 31, 2020, the Company issued 1 incorporation share for \$0.01 and on September 1, 2020, the Company cancelled the 1 incorporation share.
- b. On September 1, 2020, the Company issued 1,700,741 common shares for services for total fair value of \$51,023.
- c. On October 30, 2020, the Company completed a non-brokered private placement of 15,748,334 common shares at \$0.03 per share to raise \$472,450 in gross proceeds, of which subscriptions of \$223,500 were received during the period ended August 31, 2020.
- d. On December 15, 2020, the Company completed a non-brokered private placement of 7,397,500 common shares at \$0.10 per share to raise \$739,750 in gross proceeds, of which subscriptions of \$37,500 were received during the period ended August 31, 2020.
- e. On March 15, 2021, the Company completed a non-brokered special warrant private placement of 12,639,495 special warrants at \$0.30 per special warrant to raise \$3,791,849 in gross proceeds (the "Offering"). Each special warrant entitled the holder to acquire, at no additional cost, one common share of the Company. The special warrants were exercisable by the holders thereof at any time after the closing date of the Offering (the "Closing Date") for no additional consideration and all unexercised special warrants will be deemed to be exercised on the earlier of: (a) the date that is four months and a day following the Closing Date, and (b) the third business day after a receipt is issued for a (final) prospectus by the securities regulatory authorities. All special warrants converted to common shares on May 31, 2021 as detailed in the share exchange agreement.
- f. On March 31, 2021, the Company completed a non-brokered special warrant private placement of 300,000 special warrants at \$0.30 per special warrant to raise \$90,000 in gross proceeds (the "Offering"). Each special warrant entitled the holder to acquire, at no additional cost, one common share of the Company.

The special warrants were exercisable by the holders thereof at any time after the closing date of the Offering (the "Closing Date") for no additional consideration and all unexercised special warrants will be deemed to be exercised on the earlier of: (a) the date that is four months and a day following the Closing Date, and (b) the third business day after a receipt is issued for a (final) prospectus by the securities regulatory authorities.

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8. SHARE CAPITAL (continued)

Share issuance (continued)

The Company incurred costs of \$34,837 related to the financings. All special warrants converted to common shares on May 31, 2021 as detailed in the share exchange agreement.

- g. On May 31, 2021, the Company closed a share exchange agreement with ClearMynd Technology Solutions Corp to sell, assign and transfer 100% of the issued and outstanding common shares and special warrants of the Company to Telescope. The exchange ratio was completed on a one-to-one basis (Note 5).

Options

The Company has a stock option plan in place under which it is authorized to grant options to officers, directors, employees, consultants and management company employees enabling them to acquire up to 7,167,910 common shares of the Company. Under the plan, the exercise price of each option shall not be less than the price permitted by any stock exchange. The options can be granted for a maximum term of 10 years.

- a. On October 28, 2021, the Company issued 1,600,000 stock options to consultants and officers with an exercise price of \$0.50 for a period of five years. The stock options will vest on March 1, 2022.
- b. On November 23, 2021, the Company issued 1,725,000 stock options to consultants and officers with an exercise price of \$0.90 for a period of five years. The options vested on March 24, 2022.
- c. On March 14, 2022, the Company issued 100,000 stock options to a consultant with an exercise price of \$0.55 for a period of five years. The options vested on July, 2022.
- d. On July 19, 2022, the Company issued 500,000 stock options to consultants with an exercise price of \$0.35 for a period of five years. The options will vest on November 20, 2022.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	October 28, 2021	November 23, 2021	March 14, 2022	July 19, 2022
Volatility	165%	167%	167%	166%
Risk-free interest rate	1.69%	1.57%	1.93%	3.08%
Dividend yield	0%	0%	0%	0%
Expected life	5 years	5 years	5 years	5 years
Expected forfeiture rate	0%	0%	0%	0%

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8. SHARE CAPITAL (continued)

Options (continued)

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance at August 31, 2021	-	\$ -
Options granted	3,925,000	0.66
Balance at August 31, 2022	3,925,000	\$ 0.66

The following table summarizes stock options outstanding and exercisable at August 31, 2022

Exercise Price \$	Number of Shares	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price \$	Number Exercisable	Weighted Average Exercise Price \$
0.50	1,600,000	4.16	0.50	1,600,000	0.50
0.90	1,725,000	4.23	0.90	1,725,000	0.90
0.55	100,000	4.54	0.55	100,000	0.55
0.35	500,000	4.88	0.35	-	-
	3,925,000	4.45	0.66	3,425,000	0.75

9. RELATED PARTY TRANSACTIONS

Key management personnel include the Company's Board of Directors and Officers of the Company. The Company's related parties include key management personnel, and companies related by way of directors or shareholders in common. Transactions with related parties for goods and services are made on normal commercial terms.

(a) Key management personnel compensation was comprised of the following:

The remuneration of directors and other members of key management personnel during the years ended August 31, 2022, and 2021 were as follows:

	2022	2021
Consulting and management fees	\$ 228,900	\$ 64,640
Administrative fees	-	5,000
Share based payments	1,208,540	-
	\$ 1,437,440	\$ 69,640

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9. RELATED PARTY TRANSACTIONS (continued)

(b) Amounts due to/from related parties

In the normal course of operations, the Company transacts with companies related to the Company's directors and officers. All amounts payable and receivable are non-interest bearing, unsecured and due on demand. The following table summarizes the amounts due to related parties:

	2022	2021
Dr. Jason Hein	\$ 45,364	\$ -
Emprise Management Services Corp.	29,925	50,000
	\$ 75,289	\$ 50,000

(c) Other related party transactions

The Company recognizes Standard Lithium Ltd as a related party due to common directors. Mr. Rob Mintak and Dr. Andy Robertson serve as directors of Standard Lithium Ltd ("STL") and Telescope Innovations Corp. During the year, the Company entered into a service contract with STL and received total proceeds of \$899,903. A portion of the proceeds was recorded as revenue and \$831,375 was included in deferred revenue as at August 31, 2022.

10. 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:

	2022	2021
Combined statutory income tax rate	27.00%	27.00%
Expected income tax recovery at statutory rates	\$ (1,551,697)	\$ (1,086,836)
Permanent and other differences	740,541	722,274
Change in tax benefits not recognized	811,156	364,562
Provision for income tax expense	\$ -	\$ -

The significant components of deferred income tax assets not recognized are presented below:

	2022	2021
Non-capital loss carry-forwards	\$ 1,160,173	\$ 421,450
Capital loss carry-forwards	2,700	2,700
Equipment	74,612	-
Share issuance costs	6,537	8,716
Unrecognized deferred tax assets	(1,244,022)	(432,866)
	\$ -	\$ -

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10. INCOME TAXES (continued)

The Company had non-capital losses carried forward of approximately \$4,296,937 (2021 - \$1,561,978) available to reduce income taxes in future years which expire between 2040 and 2042.

		Total
2040	\$	637,978
2041		922,947
2042		2,736,012
	\$	4,296,937

The Company has capital losses carried forward of approximately \$10,000 available to reduce taxable income in future years and which have no expiry date.

11. REVENUE

The Company's revenues for the year ended August 31, 2022, are all attributable new service contracts entered in to during year. During the year ended August 31, 2022, the Company's revenue was primarily derived from one major customer. Sales comprised 93% of total revenue generated from all sources to this customer during the year ended August 31, 2022. As at August 31, 2022 there were \$503,954 due from this customer included in accounts receivable.

12. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and development of solar power. The Company does not have any externally imposed capital requirements to which it is subject to.

The Company considers the aggregate of all components of equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from operations.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Financial Instruments and Fair Value Measurements

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

The following table sets forth the Company's financial assets and financial liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as at August 31, 2022:

	Level 1	Level 2	Level 3
August 31, 2022			
Cash	\$ 719,493	\$ –	\$ –
Total financial assets	\$ 719,493	\$ –	\$ –

At August 31, 2022, cash of \$719,493 (2021 - \$3,284,388) was classified as level 1. There were no transfers into or out of level 2 or level 3 during the year.

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at August 31, 2022 because of the demand nature or short-term maturity of these instruments.

The Company's financial instruments include cash, accounts receivable, accounts payable, and amounts due to related parties. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Financial Risk

(i) Credit Risk

Credit risk arises from non-performance by counterparties of contractual financial obligations. The Company's maximum credit risk is primarily attributable to its cash and accounts receivable. The Company limits its exposure to credit loss for cash by placing such instruments with financial institutions.

(ii) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient financial resources to meet liabilities when due. As at August 31, 2022, the Company had working capital of \$145,576. All of the Company's accounts payable and amounts due to related parties have contractual maturities of less than 30 days and are subject to normal trade terms.

(iii) Interest Rate Risk

In management's opinion, the Company's interest rate risk is minimal as the Company does not have any bank indebtedness that bears interest at fixed or variable rates.

14. SUBSEQUENT EVENT

Subsequent to August 31, 2022, the Company closed a private placement and issued 4,879,499 units of the Company at a price of \$0.30 per unit for gross proceeds of \$1,463,850. Each Unit consists of one common share in the capital of the Company and one-half-of-one Common Share Purchase warrant. Each unit warrant entitles the holder to acquire an additional Common Share at a price of \$0.75 per Warrant Share until November 10, 2024.