FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: ______Sixth Wave Innovations Inc.___________ (the “Issuer”).

Trading Symbol: SIXW

This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term “Issuer” includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

Sixth Wave Innovations Inc.

(Formerly Atom Energy Inc.)

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months ended May 31, 2020

(Expressed in Canadian Dollars)

(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. Management of Sixth Wave Innovations Inc. has prepared these condensed interim consolidated financial statements. Management has compiled the unaudited condensed interim consolidated statement of financial position of Sixth Wave Innovations Inc. as at May 31, 2020, the audited statement of financial position as at August 31, 2019 and the unaudited interim condensed consolidated statements of comprehensive loss, changes in shareholder's equity and cash flows for the nine month period ended May 31, 2020 and May 31, 2019. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the May 31, 2020 condensed interim consolidated financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

SIXTH WAVE INNOVATIONS INC.
(formerly Atom Energy Inc.)
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars) (unaudited)
AS AT

		May 31, 2020		August 31, 2019
ASSETS				
Current assets				
Cash	$	831,050	$	610,425
Cash held in escrow from subscription receipts (note 18)		-		2,470,327
Receivables (note 7)		134,632		60,950
Prepaid expenses and other		119,952		-
Bridge loan receivable (note 8)		-		1,377,087
Loan receivable (note 8)		-		135,970
Total current assets		1,085,634		4,654,759
Non-current assets				
Investment in associated company (note 9)		310,755		-
Loan receivable (note 8)		814,115		526,170
Equipment (note 10)		328,989		-
Right of use asset (12)		305,682		-
Intellectual property (13)		1,958,231		-
Goodwill (note 6)		20,557,269		-
Total non-current assets		24,275,041		526,170
TOTAL ASSETS	**$**	**25,360,675**	**$**	**5,180,929**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	909,328	$	894,320
Subscription receipts (note 18)		-		2,266,721
Current portion of lease liability (note 14)		110,120		-
Convertible debenture (note 15)		639,860		-
Derivative liabilities (note 15)		489,338		-
Loan payable (note 16)		170,064		-
Deferred revenue (note 16)		20,616		-
Deferred salary loans (note 17)		278,804		-
Total current liabilities		2,618,130		3,161,041
Non-current liabilities				
Lease liability (note 14)		218,736		-
Deferred salary loans (note 17)		1,555,806		-
Deferred revenue (note 9)		550,704		-
Deferred taxes		440,602		-
Total non-current liabilities		2,765,848		-
TOTAL LIABILITIES	**$**	**5,383,978**	**$**	**3,161,041**
SHAREHOLDERS' EQUITY				
Share capital (note 18)		43,503,756		20,059,174
Reserves (note 18)		3,781,754		1,892,337
Subscriptions received (note 18)		-		745,000
Accumulated deficit		(27,308,813)		(20,676,623)
TOTAL SHAREHOLDER'S EQUITY	**$**	**19,976,697**	**$**	**2,019,888**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**25,360,675**	**$**	**5,180,929**

Nature of operations (note 1)
Going concern (note 2)
Commitments (note 22)

On behalf of the Board of Directors:

(s) Jonathan Gluckman
Jonathan Gluckman, Director

(s) John Veltheer
John Veltheer, Director

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

SIXTH WAVE INNOVATIONS INC.
(formerly Atom Energy Inc.)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars) (unaudited)

	Three Months Ended May 31, 2020	Three Months Ended May 31, 2019	Nine Months Ended May 31, 2020	Nine Months Ended May 31, 2019
EXPENSES				
Amortization (note 10, 12 and note 13)	$ 157,922	$ -	$ 209,688	$ -
Advertising and promotion	316,896	-	698,538	-
Management and consulting (note 19)	961,730	319,913	1,899,743	1,175,391
Office and miscellaneous	21,553	11,615	45,222	11,615
Professional fees	284,412	179,804	479,041	361,921
Rent expense	13,645	27,243	79,186	49,291
Regulatory and filing fees	20,394	1,475	41,122	14,835
Share based compensation (note 18 and 19)	265,514	416,350	658,005	416,350
Research and development	315,899	428,377	958,865	1,135,482
Transaction costs (note 6)	-	812,494	1,213,621	1,908,934
Travel and related	19,370	37,053	170,605	37,654
Loss before other items	(2,377,335)	(2,234,324)	(6,453,636)	(5,111,473)
Fair value adjustment of derivative liability (note 15)	107,071	-	112,828	-
Unrealized fair value gain (loss) on bridge loan (note 8)	-	41,230	-	94,189
Other income	21,611	-	150,511	-
Interest expense	(249,017)	-	(328,355)	-
Foreign exchange gain (loss)	(70,892)	(9,979)	(113,538)	(10,480)
Net loss and comprehensive loss for the period	**$ (2,568,562)**	**$ (2,203,073)**	**$ (6,632,190)**	**$ (5,027,764)**
Basic and diluted loss per common share	$ (0.03)	$ (0.06)	$ (0.10)	$ (0.16)
Basic and diluted weighted average number of common shares outstanding	74,536,682	31,819,090	64,329,749	31,037,465

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

SIXTH WAVE INNOVATIONS INC.
(formerly Atom Energy Inc.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars) (unaudited)

	Number of shares	Amount ($)	Reserves ($)	Subscriptions Received ($)	Accumulated Deficit ($)	Total ($)
Balance at August 31, 2018	26,606,812	14,267,571	1,083,484	-	(13,504,803)	1,846,252
Shares issued for private placement	11,587,512	5,767,628	-	-	-	5,767,628
Shares issued for finder's	403,429	141,200	-	-	-	141,200
Finder's fee	-	(141,200)	-	-	-	(141,200)
Share based payments	-	-	416,350	-	-	416,350
Net loss for the period	-	-	-	-	(5,027,764)	(5,027,764)
Balance at May 31, 2019	38,597,753	20,035,199	1,499,834	-	(18,532,567)	3,002,466
Balance at August 31, 2019	38,693,653	20,059,174	1,892,337	745,000	(20,676,623)	2,019,888
Shares issued on financing (net of share issuance costs) (note 18)	14,591,741	10,214,981	28,453	(745,000)	-	9,498,434
Shares issued for exercise of warrants (note 18)	9,323,455	606,025	-	-	-	606,025
Share based payments (note 18)	-	-	658,005	-	-	658,005
Shares issued relating to settlement of 6WIC convertible debenture (note 6 and 18)	2,719,202	1,905,284	-	-	-	1,905,284
Warrants issued relating to settlement of 6WIC convertible debenture (note 6 and 18)	-	-	516,597	-	-	516,597
Shares issued on acquisition of 6WIC (note 6)	14,291,056	10,718,292	686,362	-	-	11,404,654
Net loss for the period	-	-	-	-	(6,632,190)	(6,632,190)
Balance at May 31, 2020	79,619,107	43,503,756	3,781,754	-	(27,308,813)	19,976,697

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

SIXTH WAVE INNOVATIONS INC.
(formerly Atom Energy Inc.)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars) (unaudited)

	Nine Months Ended May 31, 2020 ($)	Nine Months Ended May 31, 2019 ($)
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES		
Net loss for the period	(6,632,190)	(5,027,764)
Adjustments for items not involving cash:		
Amortization	209,688	-
Amortization included in research and development expense	98,776	-
Accretion expense	201,395	-
Share-based payments	658,005	416,350
Change in fair value of derivative liability	(112,828)	-
Unrealized fair value gain on bridge loan	-	(94,189)
Accrued interest expense	57,004	-
Other income	981	-
Unrealized foreign exchange	144,022	-
	(5,375,147)	(4,705,603)
Change in non-cash operating working capital items:		
Accounts receivable	(73,874)	(51,753)
Accounts payable and accrued liabilities	(531,442)	(96,947)
Cash held in subscription receipts	2,470,327	-
Prepaid expenses and other	(33,854)	173,187
Net cash used in operating activities	(3,543,990)	(4,681,116)
CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES		
Proceeds on issuance of shares (net of costs)	7,231,713	5,767,628
Repayment of deferred salary loans	(80,553)	-
Loan advance	195,423	-
Repayment of convertible debenture	(69,800)	-
Exercise of warrants	606,024	-
Lease liability payments	(32,879)	-
Net cash provided by financing activities	7,849,928	5,767,628
CASH FLOWS (FROM) USED BY INVESTING ACTIVITIES		
Purchase of equipment	(107,028)	-
Advances to AFI	(232,969)	-
Cash paid in the acquisition of Geolithic shares	(99,177)	-
Cash paid in the acquisition of 6WIC	(3,695,405)	-
Cash acquired in the acquisition of 6WIC	49,266	-
Issuance of notes receivable	-	(1,640,707)
Net cash used in investing activities	(4,085,313)	(1,640,707)
Change in cash during the period	**220,625**	**(554,195)**
Cash, beginning of the period	**610,425**	**1,874,003**
Cash, end of the period	**831,050**	**1,319,808**

Supplemental cash flow (note 20)

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

1. Nature and continuance of operations

Sixth Wave Innovations Inc. (formerly Atom Energy Inc.) (the “Company”) and 6th Wave Innovations Corp. (“6WIC”), a private nanotechnology company focused on extraction and detection of target substances at the molecular level, entered into a definitive agreement dated September 11, 2018 to merge the two companies to form Sixth Wave Innovations Inc. (the “Merger”). The boards of the Company and 6WIC each unanimously approved the terms of the Merger (refer to note 6 for details). The Company was incorporated under the Business Corporations Act (BC) on June 6, 2007. The offices of the Company are located at Suite 830 – 1100 Melville Street, Vancouver, BC V6E 4A6. The Company traded on the NEX board of the TSX Venture Exchange (“NEX”) under the ticker symbol ‘AGY.H’ until May 29, 2018 after which it voluntarily delisted from the NEX. On February 11, 2020, the Company listed its common shares for trading on the Canadian Securities Exchange (“CSE”).

2. Going concern

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. During the nine months ended May 31, 2020, the Company incurred a loss of $6,632,190 and remains dependent upon the receipt of additional equity and/or debt financing. While management has been successful in obtaining required financing in the past, there is no assurance that additional financing will be available or be available on favourable terms. The Company’s ability to continue as a going concern is dependent upon the ability to raise financing and ultimately generate profitable operations. These condensed interim consolidated financial statements do not reflect and adjustments to the carrying value of assets and liabilities and the reported amounts of expenses and statement of financial position classifications that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

3. Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the fiscal year ended August 31, 2019, filed on December 30, 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The condensed interim consolidated financial statements were authorized for issue in accordance with a resolution from the Board of Directors on July 30, 2020.

(a) Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial assets that are measured at fair value. All amounts are presented in Canadian dollars unless otherwise specified.

Certain comparative figures in these financial statements have been reclassified in order to conform with current period presentation.

3. Basis of presentation (continued)

(b) Significant judgments, estimates and assumptions

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Judgments

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Going concern

The assessment of the Company's ongoing viability as an operating entity and determination of the related disclosures require significant judgment.

Business combinations

Determining whether an acquisition is a business combination or an asset acquisition. Judgment is also required to assess whether contingent consideration should be classified as equity or a liability. Measuring the fair value of equity instruments issued as consideration for a business combination, and in allocating the fair value of consideration paid to the assets acquired and liabilities assumed.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. Noncontrolling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of this equity in the acquiree's identifiable net assets. The excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net assets of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in net income (loss).

Functional currency

Determination of an entity's functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operates and is re-evaluated when facts and circumstances indicate that conditions have changed.

Classification of associated company

Classification of investments requires judgment as to whether the Company controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. If an investor holds 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

3. Basis of presentation (continued)

The Company has classified its investment in Geolithic Corp. as an associated company and as at January 31, 2020 as the Company owned 40% of the outstanding common shares of Geolithic Corp. On February 28, 2020, the Company entered into an option agreement to purchase additional common shares of Geolithic Corp. On March 6, 2020, the Company exercised its rights under the option agreement and acquired an additional 15% of Geolithic Corp. The Company continues to classify its investment in Geolithic as an associated company based on management's judgement that the Company has significant influence, based on rights to board representation and/or other provisions in the respective shareholders' agreement. Additional details of the option agreement and purchases made under the option agreement can be found note 9.

Financial instruments

The determination of categories of financial assets and liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

The identification of convertible note component is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. the separation of components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of fair value of the liability is also based on several assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Embedded derivatives

As part of assessing whether an instrument is a hybrid financial instrument and contains and embedded derivative, significant judgement is required in evaluating whether the host contract is more akin to debt or equity and whether the embedded derivative is clearly and closely related to the underlying host contract. The Company concludes that the host instrument of the convertible debentures is a debt host due to the holder's right to redeem the instrument for cash at a point in time in the future. The Company determines that the conversion option is not closely related to the debt host, and that the conversion option is required to be separated from the host instrument and accounted for as an embedded derivative due to the variability in the number of shares issuable under the convertible debentures. In applying its judgement, the Company relies primarily on the economic characteristics and risks of the instrument as well as the substance of the contractual arrangements.

The initial fair values of the embedded derivative conversion options and subsequent re-measurements at fair value at each reporting date are determined by using the Black-Scholes pricing model which requires exercise of judgment in relation to variables such as expected volatilities in share price and foreign exchange rates.

Critical Accounting Estimates

Share-based payments

Share-based payments, as measured with respect to stock options granted are estimated using the Black-Scholes pricing model.

Income taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Valuation of investment in associated company

To value the investment in associated company, management obtains financial information from the majority owner and adjusts the carrying value of the investment. The investment is subject to all estimates includes in the financial information from the majority owner as well as estimates of impairment losses.

Valuation of loan payable

The Company used the effective interest rate method to measure the loan payable and the difference between the fair value at inception and the loan proceeds received is recorded as deferred revenue. The Company was also required to estimate the market rate for a comparable instrument with a similar term. Changes in the interest rate used can materially affect the fair vale estimate and accretion rate of the debt.

3. Basis of presentation (continued)

Estimated useful lives, impairment considerations and amortization of tangible assets, intangible assets, and goodwill

Amortization of tangible assets and intangible assets is dependent upon estimates of useful lives based on management's judgment.

Goodwill impairment testing requires management to make critical estimates within the impairment testing model. On an annual basis, the Company tests whether goodwill is impaired.

Impairment of tangible and intangible assets with finite lives are affected by judgments about impairment indicators and estimates used to measure impairment losses where necessary.

The recoverable value of goodwill and tangible and intangible assets is determined using discounted cash flow models, which incorporate assumptions about future events including future cash flows, growth rates and discount rates.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 6WIC from the date of acquisition, January 31, 2020 (note 6). All significant intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

4. Significant accounting policies

(a) Cash

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. As at May 31, 2020, the Company had cash of approximately $831,000 (2019 - $610,000).

(b) Intangible assets

Intangible assets acquired individually or with a group of other assets from others (other than in a business combination) are recognized at cost, including transaction costs, and allocated to the individual assets acquired based on relative fair values and no goodwill is recognized. Cost is measured based on cash consideration paid. If consideration given is in the form of non-cash assets, liabilities incurred, or equity interests issued, measurement of cost is based on either the fair value of the consideration given or the fair value of the assets (or net assets) acquired, whichever is more clearly evident and more reliably measurable. Costs of internally developing, maintaining or restoring intangible assets that are not specifically identifiable, have indeterminate lives or are inherent in a continuing business are expensed as incurred.

Intangibles with a finite useful life are amortized and those with an indefinite useful life are not amortized. The useful life is the best estimate of the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company. The useful life is based on the duration of the expected use of the asset by the Company and the legal, regulatory or contractual provisions that constrain the useful life and future cash flows of the asset, including regulatory acceptance and approval, obsolescence, demand, competition and other economic factors. If an income approach is used to measure the fair value of an intangible asset, the Company considers the period of expected cash flows used to measure the fair value of the intangible asset, adjusted as appropriate for Company-specific factors discussed above, to determine the useful life for amortization purposes. If no regulatory, contractual, competitive, economic or other factors limit the useful life of the intangible to the Company, the useful life is considered indefinite.

Intangibles with a finite useful life are amortized on the straight-line method unless the pattern in which the economic benefits of the intangible asset are consumed or used up are reliably determinable. The Company evaluates the remaining useful life of intangible assets each reporting period to determine whether any revision to the remaining useful life is required. If the remaining useful life is changed, the remaining carrying amount of the intangible asset will be amortized prospectively over the revised remaining useful life. Intellectual property acquired pursuant to the Merger Transaction, further described in note 6, is amortized on a straight-line basis over 5 years.

4. Significant accounting policies (continued)

Intangibles with an indefinite useful life are not amortized until its useful life is determined to be no longer indefinite. Indefinite-lived intangibles are tested for impairment annually and more frequently if events or circumstances indicate that it is more-likely-than-not that the asset is impaired. The Company has not recognized any intangible assets with an indefinite useful life.

(c) Goodwill

Goodwill represents the excess of the consideration transferred over the Company's interest in the fair value of the net identifiable assets, including intangible assets, and liabilities of the acquiree at the date of acquisition. At the date of acquisition, goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is tested at least annually for impairment at the CGU level and is carried at cost less accumulated impairment losses.

(d) Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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 carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(e) Equipment

Equipment is recorded at cost less accumulated amortization and impairment losses. The Company provides for amortization using the declining balance at rates designed to amortise the cost of the equipment over their limited useful lives. The annual amortization rates are as follows:

Asset	Basis	Rate
Office equipment	Declining balance	30%
Furniture and fixtures	Declining balance	30%
Research equipment	Declining balance	30%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(f) Pilot plant

Pilot plant is recorded at historical cost less accumulated amortization and impairment charges. Pilot plant is depreciated using the straight-line method over the estimated useful lives of the individual assets. The significant classes of pilot plant and the rates are as follows:

Asset	Basis	Rate
Pilot plant	Straight line	2 years

4. Significant accounting policies (continued)

(g) Share based payments

Awards of options to employees and others providing similar services under this plan are expensed based on the estimated fair value of the options at the grant date, with a corresponding credit to reserves in shareholders' equity. Fair value is measured using the Black-Scholes pricing model. If the options are subject to vesting periods, the compensation cost is recognized over this period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Consideration received on the exercise of stock options is credited to share capital together with the amounts originally recorded as share-based compensation in reserves related to the exercised options.

(h) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognised as a deduction from equity, net of any tax effects.

(i) Share issuance costs

Share issuance costs, which include commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital. Share issue costs incurred from the issuance of flow-through shares are charged directly to share capital and expense in proportion to the value of the Company's shares at time of issue.

(j) Investment in associated company

The Company accounts for its long-term investments in affiliated companies over which it has significant influence using the equity basis of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the Company's share of earnings or losses and reduced by dividends received. The consolidated statements of loss and comprehensive loss reflect the Company's share of the results of operations of the associated company from the acquisition date forward. Where there has been a change recognized directly in the equity of the associated company, the Company recognizes its share of any changes. Unrealized gains and losses resulting from transactions between the Company and the associated company are eliminated to the extent of the interest in the associated company.

The Company assesses its equity investments for impairment at each reporting date if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the equity investment and that the event or events has an impact on the estimated future cash flow of the investment that can be reliably estimated. Objective evidence of impairment of equity investments includes:

(i) significant financial difficulty of the associated company;

(ii) becoming probable that the associated company will enter bankruptcy or other financial reorganization; or

(iii) national or local economic conditions that correlate with defaults of the associated company.

If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in profit or loss. Upon loss of significant influence over the associated company, the Company measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associated company upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

4. Significant accounting policies (continued)

(k) Related party transactions

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 or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

(l) Loss per share

The Company presents basic loss per share 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 year. 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.

(m) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income/loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current period and any adjustment to income taxes payable in respect of previous periods. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

The consolidated income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss and comprehensive loss.

Current tax expense is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the tax benefit will be realized.

(n) Foreign currency translation

Functional currency

Items included in the consolidated financial statements of the Company's subsidiary are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent company and its subsidiary is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rate prevailing at the date of the transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of loss and comprehensive loss.

4. Significant accounting policies (continued)

(o) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration transferred less the recognized amount of the identifiable assets and liabilities assumed, all measured at the acquisition date. Transactions costs, other than those associated with the issue of equity instruments, incurred in connection with a business combination are expensed as incurred.

(p) Financial instruments – recognition and measurement

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

As at May 31, 2020 the Company has made the following classifications:

Financial assets/liabilities:	Classification
Cash	FVTPL
Cash held in escrow from subscription receipts	FVTPL
Receivables	Amortized cost
Bridge loan receivable	FVTPL
Loans receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Subscription receipts	Amortized cost
Convertible debentures	Amortized cost
Derivative liabilities	FVTPL
Deferred salary loans	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost.

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

4. Significant accounting policies (continued)

(iv) Derecognition

Financial assets

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. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

(v) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

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 a 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. Share purchase warrants issued in conjunction with a convertible debt are allocated a proportion value of the equity component and included within reserves.

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.

(vi) Embedded derivatives

Embedded derivatives are contained in non-derivative host contracts and are treated as separate derivatives when they meet the definition of a derivative, and their risks and characteristics are not closely related to those of the host contracts. Embedded derivatives are recorded at fair market value with mark-to-market adjustments recorded in profit or loss.

(q) Government assistance

Government assistance is periodically received in the form of grants, loans or investment tax credits that may be repayable based on future target. Amounts that are repayable will be accounted for in the period in which conditions arise that will cause repayment. Government assistance with predetermined repayment requirements or conditional criteria is recorded as a liability when received or until the conditions are satisfied. If no predetermined repayment requirements exist, the assistance is treated as a reduction in the cost of the related item.

Interest free or less than market interest government loans are measured at amortized cost using the effective interest rate method. The interest rate used is based on the market rate for a comparable instrument with a similar term. The difference between the fair value at inception and the loan proceeds received is recorded as a government grant. The grant portion is presented separately as deferred income that is amortized over the useful life of the loan and as presented as other income (loss) on the statements of consolidated loss and comprehensive loss.

(r) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company has the intention and sufficient resources to complete development and to use or sell the asset. The expenditures capitalized in respect of development activities includes the cost of materials, direct labor and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalized borrowing costs. Other development expenditure is recognized in profit or loss as incurred.

4. Significant accounting policies (continued)

(s) Standards, amendments and interpretations

The Company adopted the following accounting standards and amendments to accounting standards effective September 1, 2019:

IFRS 16 Leases

On January 1, 2019 the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IRFS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates classification of leases as either operating leases or finance leases for the lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease liabilities related to its lease commitments for its office lease. The lease liability will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at September 1, 2019, the date of the initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount, plus prepaid lease payments made by the Company. The Company has implemented the following accounting policies permitted under the new standard:

- Leases of low dollar value will continue to be expensed as incurred; and
- The Company will not apply any grandfathering practical expedients.

At September 1, 2019 the Company adopted this standard and there was no material impact on the Company's consolidated financial statements.

New accounting policy for leases under IFRS 16

The following is the accounting policy for leases as of January 1, 2019 upon adoption of IFRS 16:

The Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assess whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-to-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

4. Significant accounting policies (continued)

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depends on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- Exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, of the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company does not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

For the purposes of preparing and presenting the Company's financial statements, the Company has adopted all applicable standards and interpretations issued.

IFRIC interpretation 23 Uncertainty over income Tax Treatments

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. At January 1, 2019, the Company adopted this standard and there was no material impact on the Company's financial statements.

5. Management of capital

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its business activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity. 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, issue debt, acquire or adjust the amount of cash and equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended May 31, 2020, or the period ended May 31, 2019. The Company is not subject to externally imposed capital requirements other than those described in note 15.

6. Acquisition of 6WIC

Effective January 31, 2020, the Company acquired 100% of the issued and outstanding shares of 6WIC, a private company existing under the laws of the State of Delaware. 6WIC is a development stage nanotechnology company focused on developing and commercializing technologies for extraction and detection of target substances at the molecular level. The business combination has been accounted for using the acquisition method with the results of operations consolidated with those of the Company effective January 31, 2020.

Pursuant to the agreement and plan of merger ("Merger Transaction"):

1) The Company paid $1,825,585 and issued 14,291,056 common shares at a fair value of $10,718,292. As part of the Merger Transaction with 6WIC, the Company replaced 749,849 warrants of 6WIC having exercise prices ranging from $2.66 (USD $2.00) to $10.00 (USD $7.50) and reduced the term of the replaced warrants to the lessor of the unexpired term or three years after closing date with 3,928,043 warrants with an exercise price of $0.75 per share with expiry dates ranging from six months to three years after the closing date. The replacement warrants incremental value is $686,362. The weighted average assumptions used for the Black-Scholes valuation of replacement warrants were annualized volatility of 100%, risk-free interest rate of 1.47%, expected life of 2.37 years and a dividend rate of 0%.

2) The Company settled the loans payable to Affinity Nano as follows:

   - On closing of the Merger Transaction $1,905,284 ($1,444,639 USD) was converted into 2,719,202 common shares of the Company.
   - $1,443,186 ($1,087,555 USD) was repaid in cash.
   - The Company entered into a convertible debenture in the amount of $1,322,359 ($1,000,000 USD) (the "Convertible Loan"). The Convertible Loan will bear interest at 10% compounded monthly and payments of $25,000 USD are to be paid at the end of each month.

3) In connection with the Convertible Loan the Company issued 1,777,778 warrants to the debtholder as transaction costs which are netted against the Convertible Loan and embedded derivatives. The fair value of the warrants of $516,597 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 100%, risk-free interest rate of 1.47%, expected life of 1 years and a dividend rate of 0%. The Company pro-rated the value of the warrants between the Convertible Loan and derivative liabilities resulting in an allocation of $291,173 to the Convertible Loan and $225,425 to the embedded derivatives.

4) The Company assumed the Deferred Salary Loans and settled the outstanding balance as follows:

   - The deferred salary loans were assumed by the Company and upon closing of the Merger Transaction 25% of the outstanding balance was repaid or became payable to the respective parties. At January 31, 2020, the Company paid $426,634 ($322,270 USD). The remaining balances of the respective deferred salary loans will accrue interest at 0.667% per month and are to be repaid over 24 months at various payment amounts.

6. Acquisition of 6WIC (continued)

The consideration paid and the preliminary allocation of the consideration to fair values of the assets acquired and liabilities assumed in the acquisition at January 31, 2020 are as follows:

Consideration		
Cash	$	3,695,405
Shares		12,623,576
Replacement warrants		686,362
Convertible debenture		1,031,186
Warrants issued in connection to convertible debt		516,597
Total consideration	$	18,553,126

Fair value of net assets acquired		
Cash	$	49,266
Receivables		109,095
Prepaid expense and other		86,097
Investment in associated company		211,578
Equipment		251,076
Right of use asset		345,125
Pilot plant		98,776
Intellectual property		2,098,105
Goodwill		20,557,269
Accounts payable and accrued liabilities		(682,420)
Lease obligation - current		(99,632)
Lease obligation - long term		(247,722)
Convertible debentures (bridge loan receivable - note 8 (a))		(1,436,843)
Deferred salary loans		(1,817,098)
Deferred revenue - long term		(528,944)
Deferred income tax liability		(440,602)
Net assets acquired	$	18,553,126

As of the date of these condensed interim consolidated financial statements, the determination of fair value of assets and liabilities acquired is based on preliminary estimates and has not been finalized. The Company is currently in the process of determining the fair values of the net assets acquired, specifically the fair value of intangible assets acquired, the fair value of the developing and commercializing technologies for extraction and detection of target substances at the molecular level. The actual fair values of the assets and liabilities may differ materially from the amounts disclosed in the preliminary fair value above and are subject to change within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustment to those provisional fair values effective as at the acquisition date.

During the nine months ended May 31, 2020, the Company incurred total transaction expenses in connection with the Merger Transaction totaling $1,213,621. The transaction expenses are disclosed separately in the statement of loss and comprehensive loss.

7. Receivables

As at May 31, 2020, the Company's amount receivable of $134,632 (2019 - $60,950) is comprised of Goods and Services Tax / Harmonized Sales Tax ("GST") due from government taxation authorities.

8. Bridge loan receivable and loans receivable

(a) Bridge Loan Receivable:

During the year ended August 31, 2019, the Company loaned $1,250,000 in the form of a convertible promissory note (the "Bridge Loan") to 6WIC that bore interest at 10% compounded monthly and was payable on September 7, 2019 (subsequently amended to January 31, 2020).

The Bridge Loan was convertible at the option of the Company into Common shares or Series B Preferred shares of 6WIC at a price equal to the lesser of i) USD $9.00 per share and ii) 80% of the weighted average issue price of an equity financing of 6WIC. However, should 6WIC have completed a minimum financing of at least USD $2,000,000, then the entire principal and accrued interest owing under the Bridge Loan would have been automatically be converted into Common shares or Series B Preferred shares of 6WIC at a price equal to the lesser of i) USD $9.00 per share and ii) 80% of the weighted average issue price of equity.

The Company classified the Bridge Loan as a FVTPL instrument. On initial issuance the Company determined the value of the Bridge Loan to be equal to the initial transaction price of $1,250,000. Upon completion of the Merger Transaction, the Bridge Loan became an intercompany loan and has been eliminated on consolidation.

As at January 31, 2020 the Company determined the fair value of the Bridge Loan to be equal to the expected cash flow of the loan and accrued interest of $1,436,843 (2019 - $1,377,087).

From the period of September 1, 2019 to January 31, 2020, the Company recorded a $35,121 unrealized fair value gain on the Bridge Loan.

(b) Loan Receivable – Short term

On June 24, 2019, the Company extended a $135,970 (USD $100,000) to an Officer of the Company due on October 31, 2019 (extended to January 31, 2020) bearing 3% interest per annum or any portion of a month thereafter on the initial sum only. Upon completion of the Merger Transaction the short-term portion totalling $135,970 was settled in full.

(c) Loan Receivable – Long term

On May 22, 2019 the Company extended a $390,706 (USD $285,000) loan to Affinity Farms Inc. ("AFI"). The loan bears 10% interest compounded annually, is due on May 31, 2022 and is secured by the assets of AFI. On July 31, 2019, the Company amended this agreement and added an additional USD $250,000, on the same terms, as available funds for drawdown if required. On August 1, 2019 the Company extended $134,500 (USD $100,000) of the drawdown to AFI bringing the total principal amount loaned to AFI to $525,206 (USD $385,000). During the nine month period ended May 31, 2020, the Company extended an additional $232,969 (USD $171,199) bringing the total principal amount loaned to AFI to $758,175 (USD $556,199). No repayments have been received during the year ended August 31, 2019 or during the nine months ended May 31, 2020. The Company recorded interest income totalling $964 during the year ended August 31, 2019 and $67,826 during the nine months ended May 31, 2020.

9. Investment in associated company and deferred revenue

During the period ended May 31, 2020, the Company acquired 6WIC (note 6), and as a result the Company acquired 40% of the issued and outstanding common shares of Geolithic Corp. ("Geolithic") on January 31, 2020.

On January 20, 2017, 6WIC entered into a Minerals Extraction Joint Venture Company Agreement with TriLateral Energy, LLC ("TLE"). TLE and 6WIC formed Geolithic, a corporation formed under the laws of the state of Delaware with its principal place of business in Salt Lake City, Utah. Geolithic is a private company and its principal business activity is to extract lithium and other relatively rare and valuable minerals using new and innovative extraction methods.

9. Investment in associated company and deferred revenue (continued)

On February 28, 2020, the Company entered into an option agreement with TLE to acquire a controlling interest in Geolithic. The Company has two options to purchase the entirety of Geolithic's shares, exercised in two separate transaction for a total purchase price of $300,000 USD to be paid by the Company. The first option shall be exercisable for 15% of the total outstanding shares for a total purchase of $75,000 USD. The second option shall be exercisable to purchase 35% of the total outstanding shares for a total price of $175,000 USD on or before July 31, 2020 and to purchase the remaining 10% of the total outstanding shares for a total price of $50,000 USD on or before September 30, 2020. On March 6, 2020, the Company exercised the first option and paid $99,177 ($75,000 USD) for 15% of the total outstanding shares of Geolithic, resulting in the Company owning 55% of Geolithic.

Geolithic is recognised as an equity investment of the Company. The Board and management of Geolithic is comprised of three representatives of TLE and two representatives of the Company. The Company has classified its investment in Geolithic as an equity investment based on management's judgement that Company has significant influence, based on rights to board representation and/or other provisions in the respective shareholders' agreement.

In 2017, 6WIC entered into an exclusive license agreement with Geolithic for the use of their nano extraction technology and received $400,000 USD from TLE on behalf of Geolithic relating to the advanced payments of the exclusive license agreement. Prior to the Merger Transaction, as further described in note 6, 6WIC accounted for the $400,000 USD as deferred revenue as 6WIC has not fulfilled its obligation pursuant to the license agreement. As at May 31, 2020 the Company has not fulfilled its obligation pursuant to the license agreement and continues to account for the $550,704 ($400,000 USD) as deferred revenue. A reconciliation of the Company's investment in Geolithic is as follows:

Balance at August 31, 2019	$	-
Additions (note 6)		211,578
Acquisition of shares pursuant to option agreement		99,177
Equity (loss) gain in Geolithic for the period		-
Balance at May 31, 2020	$	310,755

Geolithic's estimated financial information as at May 31, 2020 and loss and comprehensive loss for the period ending May 31, 2020:

		May 31, 2020
Total current assets	$	-
Total assets		550,704
Total current liabilities		-
Total long-term liabilities		-
Loss and comprehensive loss for the period		-
Company's share of loss during the period	$	-

10. Equipment

As a result of the Merger Transaction, as outlined in note 6, the Company acquired office equipment of $14,761, furniture and fixtures of $1,460 and machinery and equipment of $234,855 as at January 31, 2020.

	Office equipment	Furniture and fixtures	Research equipment	Total
Cost				
Balance, September 1, 2018	$ -	$ -	$ -	$ -
Additions	-	-	-	-
Balance, August 31, 2019	-	-	-	-
Additions	20,850	1,460	337,050	359,360
Balance, May 31, 2020	20,850	1,460	337,050	359,360
Accumulated amortization				
Balance, September 1, 2018	$ -	$ -	$ -	$ -
Amortization	-	-	-	-
Balance, August 31, 2019	-	-	-	-
Amortization	1,934	147	28,290	30,371
Balance, May 31, 2020	1,934	147	28,290	30,371
Net book value				
Balance, August 31, 2019	$ -	$ -	$ -	$ -
Balance, May 31, 2020	$ 18,916	$ 1,313	$ 308,761	$ 328,989

11. Pilot plant

As a result of the Merger Transaction, as outlined in note 6, the Company acquired a Pilot Plant with a fair value of $98,776 as at January 31, 2020. The Pilot Plant become available for use in July 2018 and during the period ended May 31, 2020 the Company recorded $98,776 of amortization which is included in research and development expenses. Changes in fair value of the Pilot Plant are summarized below:

	September 1, 2019	Additions	Amortization	May 31, 2020
Pilot plant	$ -	$ 98,776	$ 98,776	$ -

	September 1, 2018	Additions	Amortization	August 31, 2019
Pilot plant	$ -	$ -	$ -	$ -

12. Right of use asset

As a result of the Merger Transaction, as further described in note 6, on January 31, 2020 the Company recognized an asset under finance lease with an opening balance of $345,125. This amount represents the present value of future minimum lease payments using a discount rate of 15%. The following table reconciles the changes attributable to the Company's right of use asset:

	Office Lease
Cost	
As at September 1, 2018 and 2019	$ -
Additions	345,125
As at May 31, 2020	345,125
Depreciation	
As at August 31, 2018 and 2019	$ -
Charge for the period	39,443
As at May 31, 2020	39,443
Net book value	
As at August 31, 2019	$ -
As at May 31, 2020	$ 305,682

Depreciation on the right-of-use asset is calculated using the straight-line method over remaining lease term.

13. Intangible assets

Intellectual Property Acquired

The Company has determined the fair value of the intellectual property acquired in connection with the acquisition of 6WIC, as further described in note 6, to be $2,098,105. As at May 31, 2020, the carrying value is as follows:

	September 1, 2019	Additions	Accumulated Amortization	May 31, 2020
Intellectual property	$ -	$ 2,098,105	$ 139,874	$ 1,958,231
	$ -	$ 2,098,105	$ 139,874	$ 1,958,231

	September 1, 2018	Additions	Accumulated Amortization	August 31, 2019
Intellectual property	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -

14. Lease liability

As a result of the Merger Transaction, as further described in note 6, on January 31, 2020 the Company recognized an asset under finance lease with an opening balance of $347,354. This amount represents the present value of future minimum lease payments using a discount rate of 15%. The following table reconciles the changes attributable to the Company's lease liability:

	September 1, 2019	Lease liabilities recognized on January 31, 2020	Principal payments	Foreign exchange	Current portion	May 31, 2020
Office lease liability	$ -	$ 347,354	$ 32,879	$ 14,381	$ (110,120)	$ 218,736
	$ -	$ 347,354	$ 32,879	$ 14,381	$ (110,120)	$ 218,736

	September 1, 2018	Lease liabilities recognized on September 1, 2018	Principal payments	Foreign exchange	Current portion	August 31, 2019
Office lease liability	$ -	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -	$ -

15. Convertible debenture

Affinity Loan

On January 31, 2020, the Company entered into a convertible promissory note as part of the Merger Transaction with 6WIC, as further described in note 6, in the amount of $1,322,359 ($1,000,000 USD) in the form of a convertible promissory note (the "Affinity Loan") that bears interest at 10% compounded monthly and payable on January 31, 2021.

If the Company completes one or more financings through the issuance of common shares or securities that are convertible into common shares for cash the Company has the right to require conversion of all or a portion of the outstanding principal and accrued interest not to exceed the aggregate gross amount of cash received by the Company pursuant to the applicable financing. The conversion price shall be equal to the price of the securities issued through the financing. Each financing conversion shall be effective as of the closing date of the applicable financing and the principal balance of the convertible debenture shall be increased by an amount equal to 10% of the financing conversion amount.

At the maturity date, in lieu of repayment, the Company has the right to convert the principal and unpaid accrued interest, not to exceed 150% of the cumulative dollar volume of the Company's common shares traded on the Canadian and United States trading markets for the common share of the Company for the 20 consecutive trading days ending and including the last trading day prior to the maturity date. The maturity conversion price shall be calculated using the lessor of the volume weighted average trading price of the common shares of the Company for the 20 consecutive trading days ending on and including the last trading day prior to the maturity date or the closing price on the last trading day prior to the maturity date.

The Affinity Loan has been determined to be a hybrid financial instrument comprised of the host debt contract and multiple embedded derivatives. The cash received under the Affinity Loan is allocated between the fair value of the embedded derivatives and the value of the loan liability. The value ascribed to the multiple embedded derivatives is determined using a Black Scholes option pricing model as at the loan date, and the residual amount has been allocated to the loan liability. The Affinity Loan's multiple embedded derivatives are valued at $577,029 with the residual value of $563,637 allocated to the loan liability.

During the period ended May 31, 2020, the Company incurred $248,150 (2019 - Nil) in finance costs, including $201,395 (2019- Nil) in accretion on the Affinity Loan. As at May 31, 2020 a total of $1,353,407 (2019 - Nil) in loan principal and accrued interest remained outstanding. Additionally, the multiple embedded derivatives have been revalued to $489,338 and the Company has recorded a gain of $112,828 on the consolidated statement of loss and comprehensive loss.

The fair value of the initial and revaluation of embedded derivative components of the convertible debt was estimated using the Black-Scholes pricing model with weighted average assumptions as follows: initial valuation of annualized volatility of 71%, risk-free interest rate of 1.47%, expected life of 1 years and a dividend rate of 0% and revaluation of annualized volatility of 100%, risk-free interest rate of .29%, expected life of .67 years and a dividend rate of 0%.

15. Convertible debenture (continued)

The following is a loan continuity schedule for the Affinity Loan:

	May 31, 2020	August 31, 2019
Opening balance	$ -	$ -
Additions	1,322,359	-
Embedded derivatives	(577,029)	-
Transaction costs	(291,173)	-
Repayments	(69,800)	-
Interest	248,150	-
Foreign exchange	7,353	-
Ending balance	$ 639,860	$ -

16. Loan payable

On April 25, 2020 the Company's subsidiary 6th Wave Innovations Corp. ("6WIC") received a loan in the amount of $195,423 ($139,200 USD) from the Small Business Administration ("SBA") as a result of its application to the Paycheck Protection Program ("PPP Loan"). The PPP Loan matures on April 25, 2022 and bears interest at a rate of 1.00%. The PPP Loan is a loan designed to provide a direct incentive for businesses to keep their workers on the payroll. SBA will forgive loans if all employees are kept on the payroll for eight weeks and the loan is used for payroll, rent, mortgage interest, or utilities. 6WIC has kept all employees subsequent to the receipt of the PPP Loan and intends on applying for loan forgiveness.

The following is a loan continuity schedule for the loan payable:

	May 31, 2020	August 31, 2019
Opening balance	$ -	$ -
Additions	195,423	-
Deferred revenue	(24,557)	-
Accretion	981	-
Interest	121	-
Foreign exchange	(1,904)	-
Ending balance	$ 170,064	$ -

17. Deferred salary loans

In accordance with the Merger Transaction, as further described in note 6, on January 31, 2020 the Company assumed deferred salary loans of $1,817,098 ($1,374,133 USD) for certain current and former employees of 6WIC. Pursuant to the terms of Merger Transaction the deferred salary loans will accrue interest at a rate of 0.667% compounded monthly and be repaid over 24 months at various payment amounts.

The following is a loan continuity schedule for the deferred salary loans:

	May 31, 2020	August 31, 2019
Opening balance	$ -	$ -
Additions (note 6)	1,817,098	-
Principal and interest repayments	(80,553)	-
Foreign exchange	86,683	-
Interest expense	11,382	-
Current portion	(278,804)	-
Ending balance	$ 1,555,806	$ -

18. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

(a) Issued share capital

As at May 31, 2020 there were 79,619,107 issued and fully paid common shares and nil preferred shares issued. On August 31, 2019 there were 38,693,653 issued and fully paid common shares and nil preferred shares issued.

Changes in share capital during the nine months ended May 31, 2020

On October 21, 2019, the Company closed the third tranche of its previously announced non-brokered private placement and issued 3,480,583 common shares of the Company at $0.75 per share for gross proceeds of $2,610,437.

On December 6, 2019, the Company closed the fourth tranche of its previously announced non-brokered privative placement and issued 2,000,000 common shares of the Company at $0.75 per share for gross proceeds of $1,500,000.

On January 16, 2020, the Company closed the fifth tranche of its previously announced non-brokered privative placement and issued 5,212,558 common shares of the Company at $0.75 per share for gross proceeds of $3,909,419.

On January 31, 2020, the Company's completed its obligations pursuant to the subscription receipts and issued shares of 3,603,600 for gross proceeds of $2,702,700.

The Company paid finders fees and issuance costs in the amount of $68,343 in connection with the above private placements and issued a total of 71,916 finders warrants. The fair value of the warrants is $28,453 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 100%, risk-free interest rate of 1.47%, expected life of 2 years and a dividend rate of 0%.

On April 1, 2020, the Company issued 295,000 common shares with a fair value of $146,025 as finder fees in connection with the above private placements.

The Company received proceeds of $606,025 in connection with the exercise of 9,323,455 warrants.

On January 31, 2020, the Company issued 14,291,056 common shares of the Company at $0.75 per share valued at $10,718,292 as part of the Merger Transaction (note 6). In addition, the Company issued 2,719,202 common shares of the Company at $0.75 per share valued at $1,905,284 to settle existing debt obligations of 6WIC and in conjunction with the Merger Transaction.

Changes in share capital during the year ended August 31, 2019

On July 26, 2019, the Company closed a brokered private placement of 3,463,000 subscription receipts (the "Subscription Receipts") of the Company at an issue price of $0.75 per Subscription Receipt for gross proceeds of $2,597,250. Each Subscription Receipt will automatically be exchanged for one common share of the Company (a "Common Share") upon the satisfaction of certain escrow release conditions (the "Release Date"), including the closing of the Merger Transaction as described in note 7 and the approval of the Canadian Securities Exchange. In connection with this private placement, the Company incurred issuance fees of $410,779 (netted with subscription receipts), consisting of $15,000 issuance cost paid in cash during fiscal 2019, $80,250 to be settled through the issuance of 107,000 Subscription Receipts in-lieu of cash, $91,900 included in accounts payable as August 31, 2019 and the issuance of 242,210 broker warrants of the Company (the "Broker Warrants") with a value of $96,706 with the remaining balance paid in cash. Each Broker Warrant gives the holder the right to purchase one Common Share at an exercise price of $0.75 for a period of 24 months following the Release Date. If the escrow release conditions are not satisfied by January 31, 2020, then the Subscription Receipts will immediately become null and void and the escrow agent will distribute the escrowed proceeds to the holders of the Subscription Receipts, together with their pro rata share of interest earned thereon.

On May 27, 2019, the Company completed the second tranche of a private placement and issued 2,946,663 common shares at a price of $0.75 per common share for total proceeds of $2,209,997.

On May 6, 2019, the Company completed the first tranche of a private placement and issued 1,333,333 common shares at a price of $0.75 per common share for total proceeds of $1,000,000.

18. Share capital (continued)

On January 4, 2019, the Company completed the second tranche of a private placement and issued 2,014,286 common shares at a price of $0.35 per common share for total proceeds of $705,000. In connection with the private placement, the Company issued 80,000 common shares to finders with a value of $28,000.

On December 20, 2018, the Company completed the first tranche of a private placement and issued 5,293,230 common shares at a price of $0.35 per common share for total proceeds of $1,852,631. In connection with the private placement, the Company issued 323,429 common shares to finders with a value of $113,200.

The Company received proceeds of $23,975 in connection with the exercise of 95,900 warrants.

(b) Warrants

The continuity schedule of share purchase warrants is as follows:

	Number of share purchase warrants	Weighted Average Exercise Price
Balance, August 31, 2018	10,080,355	$0.065
Granted	242,210	$0.75
Expired	(661,000)	$0.14
Exercised	(95,900)	$0.25
Balance, August 31, 2019	9,565,665	$0.08
Granted	5,777,736	$0.85
Expired	-	-
Exercised	(9,323,455)	$0.065
Balance, May 31, 2020	6,019,946	$0.85

A summary of the Company's outstanding and exercisable warrants as at the end of the period is as follows:

Weighted average exercise price	Remaining contractual life	Number of warrants outstanding	Expiry Date
$0.75	1.75 years	242,210	November 30, 2021
$0.75	2.01 years	735,148	March 4, 2022
$0.90	2.01 years	248,957	March 4, 2022
$0.90	2.92 years	110,117	January 31, 2023
$0.90	1.92 years	944,607	January 31, 2022
$0.9375	2.42 years	944,607	August 1, 2022
$0.975	2.92 years	944,607	January 31, 2023
$0.75	1.75 years	71,916	November 30, 2021
$0.75	1.25 years	1,777,778	May 31, 2021
$0.85	1.73 years	6,019,946	

The 242,210 broker's warrants granted during the year ended August 31, 2019 were valued at $96,706 based upon the Black-Scholes Method using the following weighted average assumptions:

Risk-free interest rate	2.4%
Expected dividend yield	0%
Share price	$0.75
Exercise price	$0.75
Expected stock price volatility	100%
Expected life	2 years

(c) Stock options

The Company has adopted a "rolling" stock option plan (the "Plan"), pursuant to which a maximum of 10% of the issued and outstanding common shares of the Company, less any outstanding stock options previously granted, will be reserved for issuance as options and will be granted at the discretion of the Board of Directors to eligible optionees under the Plan. Stock options granted vest at the discretion of the Board of Directors. The options can be granted for a maximum term of ten years.

18. Share capital (continued)

On October 22, 2018 the Company granted a total of 2,650,000 options to directors and consultants. The options are exercisable at a price of $0.40 per share and will expire on October 22, 2023. One third of the options will vest after six months, with an additional one third to vest every six months thereafter. These options were valued at $872,394 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 2.4%, expected dividend yield 0%, share price $0.43, exercise price $0.40, volatility 100%, and expected life 5 years.

On July 9, 2019, the Company granted 100,000 options to a consultant. The options are exercisable at a price of $0.75 per share and will expire on July 9, 2024. 25,000 options will vest on October 9, 2019, January 9, 2019, April 9, 2010, and July 9, 2020. These options were valued at $19,590 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 1.56%, expected dividend yield 0%, share price $0.31, exercise price $0.75, volatility 100%, and expected life 5 years.

On November 15, 2019, the Company granted a total of 1,180,000 options to consultants and directors of the Company. The options are exercisable at a price of $0.75 per share and will expire on November 15, 2024. The vesting of the options are as follows: 393,333 on May 15, 2020, 393,333 on November 15, 2020, and 393,334 on May 15, 2021.These options were valued at $320,409 using the Black-Scholes pricing model based on the following weighted average assumptions: risk-free interest rate 1.48%, expected dividend yield 0%, share price $0.41, exercise price $0.75, volatility 100%, and expected life 5 years.

On January 13, 2020, the Company granted a total of 945,000 options to consultants and directors of the Company. The options are exercisable at a price of $0.75 per share and will expire on January 13, 2025. The vesting of the options are as follows: 100,000 on grant date, 281,667 on July 13, 2020, 281,667 on January 13, 2020, and 281,666 on July 13, 2021. These options were valued at $529,589 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 1.66%, expected dividend yield 0%, share price $0.75, exercise price $0.75, volatility 100%, and expected life 5 years.

During the nine months ended May 31, 2020, the Company recognized $658,005 (2019 - $416,350) in share-based compensation vested during the period.

The continuity schedule of stock options is as follows:

	Number of stock options	Weighted Average Exercise Price ($)
Balance, August 31, 2018 and 2017	-	-
Granted	2,750,000	$0.41
Exercised	-	-
Balance, August 31, 2019	2,750,000	$0.41
Granted	2,125,000	$0.75
Exercised	-	-
Balance, May 31, 2020	4,875,000	$0.56

A summary of the Company's outstanding and exercisable options at the end of the period is as follows:

Weighted average exercise price	Remaining contractual life	Number of options outstanding	Number of options exercisable	Expiry Date
$0.40	3.39 years	2,650,000	2,650,000	October 22, 2023
$0.75	4.11 years	100,000	75,000	July 9, 2024
$0.75	4.46 years	1,180,000	393,333	November 15, 2024
$0.75	4.62 years	945,000	100,000	January 13, 2025
$0.56	3.91 years	4,875,000	3,218,333	

(d) Escrowed shares

As at May 31, 2020, 14,464,719 common shares of the Company are subject to an escrow agreement pursuant to National Instrument 46-201 *Escrow for Initial Public Offerings.* A total of 15% of the shares will be released from escrow every 6 months until all have been released.

Furthermore, an additional 2,550,294 common shares are subject to an escrow agreement pursuant to the terms of the Merger Transaction. These shares will be released from escrow on or before July 31, 2021.

19. Related party transactions

The Company entered into the following transactions with key management personnel, being those persons determined as having authority and responsibility for planning, directing and controlling the activities of the Company. Key management includes the Company's board of directors and executive officers. A summary of transactions with key management are summarized as follows:

	Nine Months Ended May 31, 2020	Nine Months Ended May 31, 2019
Management and consulting	$ 599,487	$ 100,000
Share-based payments	37,811	23,567
Deferred salary loan payments	49,229	-
Total	$ 686,527	$ 123,567

During the nine months ended May 31, 2020, the Company paid $235,970 (2019 – Nil) in management and consulting expense to the CEO of the Company pursuant to CEO services provided. The amount paid included a one-time signing bonus of $135,970 (2019 – Nil). The Company recorded $6,732 in share-based compensation representing the fair value of options that were granted to the CEO which have vested during the period. Pursuant to the deferred salary loan agreements, as further described in note 17, the CEO received payment of $9,838 (2019 – Nil) against the balance owing. As at May 31, 2020, the balance owing under the deferred salary loan agreement to the CEO is $565,531 (2019 – Nil). On closing of the Merger Transaction, as outlined in note 6, the CEO was entitled to a repayment of $179,542 or 25% of the balance owing at January 31, 2020. The CEO has deferred this payment and the amount is included in accounts payable and accrued liabilities as at May 31, 2020.

During the nine months ended May 31, 2020, the Company paid $92,500 (2019 - $72,500) in management and consulting expense to the CFO of the Company pursuant to CFO and Director services provided. The amount included a one-time bonus of $15,000. The Company recorded $2,463 in share-based compensation representing the fair value of options that were granted to the CFO which have vest during the period.

During the nine months ended May 31, 2020, the Company paid $25,000 (2019 - $20,000) in management and consulting expense to the former CFO and Director of the Company for services provided up until January 31, 2020. The fees paid in 2020 included a separation payment of $15,000. The Company recorded $5,193 in share-based compensation representing the fair value of options that were granted to the former CFO and Director which have vested during the period.

During the nine months ended May 31, 2020, the Company paid $181,538 (2019 – Nil) in management and consulting expense to the Executive Vice President ("EVP") of the Company for EVP services provided. The amount included a one-time signing bonus of $100,000. The Company recorded $4,926 in share-based compensation representing the fair value of options that were granted to the EVP which have vested during the period. Pursuant to the deferred salary loan agreements, as further described in note 17, the EVP received payment of $39,391 (2019 – Nil) against the balance owing. As at May 31, 2020, the balance owing in accordance with the deferred salary loan agreement is $508,306 (2019 – Nil).

During the nine months ended May 31, 2020, the Company paid $10,000 (2019 – Nil) in management and consulting expense to a former Director of the Company for services provided up until January 31, 2020. The fees paid in 2020 included a separation payment of $7,500. The Company recorded $2,077 in share-based compensation representing the fair value of options that were granted to the former Director which have vested during the period.

During the nine months ended May 31, 2020, the Company paid fees of $54,479 (2019 – Nil) to Directors of the Company and recorded $23,690 (2019 – Nil) in share-based compensation representing the fair value of options granted to Directors of the Company which have vested during the period.

20. Supplemental disclosure with respect to cash flows

	Nine Months Ended May 31, 2020 ($)	Nine Months Ended May 31, 2019 ($)
Cash paid for income taxes	-	-
Cash paid for interest	71,640	-

Significant non-cash transactions during the period ended May 31, 2020 and 2019:

	Nine Months Ended May 31, 2020 ($)	Nine Months Ended May 31, 2019 ($)
Warrants issued as finders fees	28,453	-
Shares issued as finders fees	146,025	-

Refer to note 6 for further disclosure relating to non-cash transactions.

21. Financial risk management

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, with cash and bridge loan receivable classified as Level 1:

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).

As at May 31, 2020 the carrying values of cash, receivables, loans receivable, accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity or market rates of interest.

The Company is exposed to Credit, Liquidity and Market risks from its use of financial instruments, as follows:

Credit risk

The Company's credit risk is primarily attributable to cash, receivables, and loans receivable. The Company's primary exposure to credit risk is on its loan's receivable. This risk is partially managed by a security interest in the assets of one of the borrowers. Cash consists of accounts at a reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances of up to $100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with a high-quality financial institution.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As at May 31, 2020, the Company had a cash balance of $831,050 (2019 - $610,425) to settle accounts payable and accrued liabilities of $909,331 (2019 - $894,320).

21. Financial risk management (continued)

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. See note 2 for further details.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest risk - The Company has cash balances. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at May 31, 2020, the Company didn't hold any investment-grade short-term deposit certificates. The Company does not have any debt that bears variable interest rates.

b) Foreign currency risk - Foreign currency risk is the risk that variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company's operating and financial results. The Company has operations in the United States and as a result is subject to risk due to fluctuations in the exchange rates for the Canadian and US dollars. As at May 31, 2020, the Company had a foreign currency net monetary liability position of $3,715,717 USD. Each 1% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain or loss of approximately $37,157.

c) Price risk - The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

22. Commitments

Office lease

In December of 2019, 6WIC entered into a lease for its office premises in Salt Lake City which expires in December 2022. As result of the Merger Transaction the Company has assumed this lease obligation.

Deferred salary loans

In accordance with the Merger Transaction, on January 31, 2020, the Company assumed deferred salary loans for certain current and former employees of 6WIC. Pursuant to the terms of Merger Transaction the balance owing at January 31, 2020 will accrue interest at a rate of 0.667% compounded monthly and be repaid of 24 months at various payment amounts.

Convertible note

On January 31, 2020, the Company entered into a convertible promissory note as part of the business acquisition with 6WIC, as further described in note 6, in the amount of $1,322,359 (USD$ 1,000,000). Further details describing the convertible promissory note are found in note 15. The note will bear interest at a rate of 10% compounded monthly and payments of $25,000 are to be paid at the end of each month. The convertible note is payable on January 31, 2021.

Loan payable

On May 31, 2020, the Company received $195,423 ($139,200 USD) from the Small Business Administration ("SBA") as a result of its application the Paycheck Protection Program ("the PPP Loan"). Although the Company has included the balance of the PPP loan as a commitment below the Company has kept all of its employees subsequent to the receipt of the PPP Loan and intends on applying for loan forgiveness under the term of the PPP Loan. Further details on the PPP Loan are found in note 16.

As of May 31, 2020, these commitments required total payments including estimated common expenses, as follows:

	$
Payable not later than one year	1,965,338
Payable later than one year and not later than five years	1,803,048
Payabale later than five years	-
	3,768,386

22. Commitments (continued)

Acquiring Assets & Personnel of Aurora Analytics

On April 13, 2020, the Company executed a Letter of Intent ("LOI") for the acquisition of critical assets and intellectual property of Aurora Analytics, LLC of Baltimore, MD ("Aurora") and the migration of all Aurora's key staff. The Company will acquire specific assets of Aurora, including all laboratory equipment, all IP associated with the detection of virus and biogenic amines, and assume certain liabilities of Aurora, property leases for Aurora's laboratory and research centre. Consideration for the acquisition will be $145,000 USD plus 500,000 common shares of the Company, together with the employment of key individuals currently employed by Aurora. As of the date of these condensed interim consolidated financial statements the Company has not closed the acquisition of the critical assets and intellectual property of Aurora.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.

(b) A description of the transaction(s), including those for which no amount has been recorded.

(c) The recorded amount of the transactions classified by financial statement category.

(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.

(e) Contractual obligations with Related Persons, separate from other contractual obligations.

(f) Contingencies involving Related Persons, separate from other contingencies.

<u>See Financial Statements (Related Party Transactions, Note 19) attached as schedule A.</u>

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period, <u>See Financial Statements (Shareholder's Equity, Note 18) attached as Schedule A.</u>

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

(b) summary of options granted during the period,
<u>See Financial Statements (Shareholder's Equity, Note 18) attached as Schedule A.</u>

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
<u>See Financial Statements (Shareholder's Equity, Note 18) attached as Schedule A.</u>

(b) number and recorded value for shares issued and outstanding,
<u>See Financial Statements (Shareholder's Equity, Note 18) attached as Schedule A.</u>

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
See Financial Statements (Shareholder's Equity, Note 18) attached as Schedule A.

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.
See Financial Statements (Shareholder's Equity, Note 18) attached as Schedule A.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Directors: Jonathan Gluckman, Scot Robinson, John Veltheer, Peter Manuel, Jim McKenzie

Officers: Jonathan Gluckman (CEO), John Veltheer (CFO), John Cowan (COO).

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

SIXTH WAVE INNOVATIONS INC.
(Formerly Atom Energy Inc.)

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2020

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the financial statements of Sixth Wave Innovations Inc. (formerly Atom Energy Inc.) ("Sixth Wave" or the "Company") for the three and nine-month period ended May 31, 2020. The information provided herein should be read in conjunction with the Company's unaudited financial statements and notes for the three and nine months ended May 31, 2020. All amounts are stated in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Company, including but not limited to statements with respect to the Company's plans or future financial or operating performance, possible expansion of applications for the Company's technology, plans for optimization of a pilot Affinity™ system, requirements for additional capital, sources and timing of additional financing.

All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements. The Company has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect", "budget", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

The statements reflect the current beliefs of management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements. These uncertainties are factors that include but are not limited to risks related to international operations; the availability of financing opportunities; legal and regulatory risks inherent in the mining and cannabis industries; risks associated with economic conditions, including the rapidly evolving effects of the COVID-19 pandemic; negotiation of final agreement terms with counterparties; dependence on management and risk of currency fluctuations.

The Company's management reviews periodically information reflected in forward-looking statements. The Company has and continues to disclose in its Management Discussion and Analysis and other publicly filed documents, changes to material factors or assumptions underlying the forward-looking statements and to the validity of the statements themselves, in the period the changes occur. However, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date such statements were made and readers advised to consider such forward-looking statements in light of the risks set forth above.

Historical results of operations and trends that may be inferred from the above discussions and analysis may not necessarily indicate future results from operations.

DATE OF REPORT

The effective date of this report is July 30, 2020.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable. The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management on a quarterly basis to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

The reader is encouraged to review the Company's statutory filings on www.sedar.com.

DESCRIPTION OF BUSINESS AND OVERVIEW

The Company, and a wholly-owned subsidiary, ("Merger Subco"), entered into an agreement and plan of merger with 6th Wave Innovations Corp ("6WIC"). and Affinity Nanotechnology Inc., as securityholders' representative ("Affinity Nano") on September 7, 2018, (as amended, the "Merger Agreement"). 6WIC is a corporation incorporated under the laws of the state of Delaware on July 3, 2013 and is domiciled in the United States. 6WIC's office and registered and records office is 615 Arapeen Drive, Suite 303, Salt Lake City, UT 84108. The Company was incorporated under the Business Corporations Act (BC) on June 6, 2007. The offices of the Company are located at Suite 830 – 1100 Melville Street, Vancouver, BC V6E 4A6. The Company traded on the NEX board of the TSX Venture Exchange ("NEX") under the ticker symbol 'AGY.H' until May 29, 2018 after which it voluntarily delisted from the NEX.

On August 26, 2019, the Company changed its name from Atom Energy Inc. to Sixth Wave Innovations Inc.

On January 31, 2020, pursuant to the Merger Agreement, Merger Subco merged with and into 6WIC by way of a "triangular merger" (the "Merger Transaction") pursuant to the laws of Delaware, and the issued and outstanding shares of Subsidiary were exchanged for securities of the Company and cash. As a result, 6WIC became a wholly owned subsidiary of the Company. Pursuant to the Merger Agreement, the Company issued 14,291,054 Common Shares and US$1.2 million to the former holders of 6WIC securities, and issued 3,928,042 warrants to purchase Common Shares in exchange for outstanding 6WIC warrants. The boards of the Company and 6WIC each unanimously approved the terms of the Merger. Further details pertaining to the Merger Transaction are discussed below in the Merger Transaction section.

As part of the Merger Transaction, the board of directors of the Company was reconstituted to consist of Messrs. Jonathan Gluckman (formerly Chief Executive Officer and co-founder of 6th Wave), John Veltheer (formerly Chief Executive Officer of the Company), James McKenzie, Peter Manuel and Scot Robinson. Mr. Gluckman was appointed Chief Executive Officer, Mr. Veltheer was appointed Chief Financial Officer and Mr. Sherman McGill, co-founder of 6th Wave, was appointed Executive Vice President.

Following completion of the Merger Transaction on January 31, 2020, the Company's common shares were listed on the Canadian Securities Exchange ("CSE") in the diversified industries sector and commenced trading on February 11, 2020 under the ticker symbol 'SIXW'.

About Sixth Wave

Sixth Wave is a North American based nanotechnology company focusing on extraction products and technologies primarily for the resources and life sciences industries. The Company specializes in molecular engineering, materials extraction, detection, purification. Sixth Wave began as a manufacturer of detection devices for homeland security applications. Since then, the Company has expanded into the selective detection and extraction technologies sector to address applications in high-value metals and pharmacological applications, with patent applications and protections in 40+ countries.

Sixth Wave technology use Molecular Imprinted Polymers ("MIPs"), which consist of durable polymer beads imprinted with adsorption micropores which precisely match the molecular geometry of organic materials such as cannabinoids and inorganic materials such as metals. The Company's area of expertise involves the design and manufacture MIP's capable of detecting and recovering valuable substances to the parts per billion level. The Company maintains a website at www.sixthwave.com.

Technology Overview

Affinity™ – The Company's Affinity™ technology is engineered to detect and appropriate cannabinoids such as CBD, THC, CBG, CBC, CBN and THCv. The Affinity™ technology platform has been designed to replace existing separation and isolation technologies, offering numerous advantages, including: lower capital and operating costs, faster processing speeds, increased final product yield, and increased scalability.

IXOS® – The Company's IXOS® extraction products are initially focused on the increased efficiency and recovery for gold processors. IXOS® beads are engineered to extract gold-cyanide or gold-chloride molecules from mining leach solutions. The IXOS® MIP has been designed to replace activated carbon in gold extraction circuits. IXOS® offers numerous advantages over legacy technology and methods, including: higher gold recoveries and purities, lower capital and operating costs, higher levels of selectivity and rejection of contaminants, and faster elution times.

Affinity™ Business Developments

On February 20, 2020, the Company announced results of pilot scale testing of its Affinity™ system for the remediation of THC from CBD distillate (the "Affinity™ System") with a major North American hemp processer (the "Test Partner").The Affinity™ development process has comprised over 85 experiments to date with more than 30 data elements analyzed per experiment. The resultant 2,550 data elements have furnished a broad sample set for the determination of operating parameters for optimized system performance. The results of the in-house testing provided a comparative analysis of the Affinity™ System remediation capabilities when compared directly to distillate that was remediated using traditional chromatography. The CBD distillate generated by the Affinity™ System contained roughly half the amount of undesirable THC relative to that which was produced by chromatography. The Company is in the process of collecting and analyzing the performance data essential for refining the design and starting the full-scale production process of the Affinity™ systems.

On April 2, 2020, the Company announced the execution of a Memorandum of Understanding (the "MOU") with Green Envy, LLC ("Green Envy" or the "Extractor") for the purchase of a minimum of three Affinity™ extraction units (the "Affinity System", "Affinity Units" or "Units").

The MOU provides Green Envy with a twelve-month exclusivity period to utilize the Affinity System for the cannabis market within the states of Michigan and Massachusetts (the "First Mover Provision"). The production of products derived from hemp is excluded from the First Mover Provision."

Initial Affinity Unit Commissioning

Further to a signed hardware loan and services agreement between the parties (the "HLSA"), Sixth Wave will prepare an initial Affinity™ Unit for delivery, installation and commissioning at a Green Envy facility in Riverdale, Michigan. Under the terms of the HLSA, the parties will collaborate on the optimization of the Unit, including the documentation of standard operating procedures for the production of full spectrum distillate. The commissioning process of the initial Unit will include the validation of capacity and selectivity, as well as production rates in full production mode.

On May 26, 2020, the Company announced a strategic alignment with Natural Ascent Consulting (NAC) and the signing of a hardware loan and production agreement, which will allow NAC to field test and contribute to the commercialization process of the Company's Affinity™ cannabinoid purification system for the remediation of non-compliant hemp and cannabis extracts and standard extraction of cannabinoids from other crude extracts. The contract engages NAC in cannabinoid production using the Affinity™ System, and establishes a Southern California based production hub for Sixth Wave in one of the worlds largest cannabis markets. NAC will also use their lab capability with Sixth Wave to trial multiple production applications for the Affinity™ System including continued validation of the Systems capability to remediate failed extracts for heavy metals, pesticides, and possibly the chemicals associated with fire retardants that are found in both hemp and cannabis extracts due to their widespread use to combat forest fires.

On June 9, 2020, the Company announced the execution of a Collaboration Supply Agreement (the "Supply Agreement") signed on June 5, 2020 between Sixth Wave and PuriTech, LLC ("PuriTech").

Under the terms of the Supply Agreement, PuriTech will assist in the manufacturing of Sixth Wave's Affinity™ Units by contributing PuriTech's patented ION-IX system. ION-IX uses a single, multi-port distribution valve to create an optimized process system for continuous, countercurrent ion exchange. PuriTech's ION-IX system has been used in water treatment, hydrometallurgy, sugar treatment, recovery of chemicals and a wide variety of ion exchange applications where very low waste or the recovery of high-value components is required. Equipment purchased under the Supply Agreement will adhere to EU-GMP and US/Canadian – GMP compliance standards allowing Sixth Wave to provide a compliance package to its customers to obtain their own certifications. Sixth Wave will leverage the baseline operating specifications and capabilities of the ION-IX to optimize the use of Sixth Wave's patent pending molecularly imprinted polymer technology for the isolation and separation of cannabinoids. The resulting equipment and Affinity™ adsorbent will comprise the Affinity™ System.

PuriTech also has the ability to design and develop bespoke system applications based on the data already obtained from Sixth Wave's existing Affinity™ Units. As Sixth Wave begins to scale up it's manufacturing to meet customer demand, the Supply Agreement will accelerate the design, installation, commissioning, and optimization of the Affinity™ Unit's in a variety of sizes and/or custom designs.

On June 25, 2020, the Company announced that its strategic partner Natural Accent Consulting ("NAC") has begun to accept toll processing orders for full spectrum cannabinoid distillates to be produced using Sixth Wave's Affinity™ technology.

Building upon experience obtained engineering the Affinity™ technology for the generation of T-Compliant CBD distillate, NAC has demonstrated successful extraction of full spectrum cannabinoid distillate ("Distillate Oils") from crude extract. The current Affinity™ Extraction System is capable of producing several kilograms of Distillate Oils per day from winterized or partially winterized crude extracts. Production capacity will be upgraded to approximately one kilogram of Distillate Oils per hour upon delivery of a full-scale Affinity™ System. Prior to delivery of a full-scale Affinity™ System, NAC plans to continue to process orders using the current Extraction System and begin preparation for internal scale-up activities to accommodate increased production upon delivery of the full-scale system.

Sixth Wave and NAC continue to perform testing with respect to the remediation of non-compliant hemp and cannabis extracts for undesirable elements. Undesirable elements include a variety of pesticides and heavy metals making the cannabis and hemp products non-compliant and unavailable for sale under Health Canada and FDA standards. Upon successful testing, Sixth Wave believes it will be able to capture a significant portion of this untouched market. Initial testing has been positive for both heavy metal and pesticide remediation and Sixth Wave plans to complete testing and obtain final results before the end of 2020.

On July 9, 2020, the Company announced that it has executed a Letter of Intent ("LOI") to pursue a strategic partnership with Advanced Extractions Systems Inc. ("AESI") of Prince Edward Island Canada for the purpose of designing and manufacturing commercial scale Affinity™ Systems for the separation of cannabinoids for isolates and distillates using Sixth Wave's patented Molecular Imprinted Polymer ("MIP") technology.

Under the terms of the non-binding LOI, AESI will build upon the existing Sixth Wave unit designed in collaboration with PuriTech to assist with the design of a commercial scale Affinity™ System. Additionally, AESI will produce Affinity™ Systems for the North American market. AESI will also provide ongoing support to field and service equipment installed in North America and other countries.

IXOS® Business Developments

On February 13, 2020, the Company announced that further to a letter agreement executed October 15, 2019, Sumitomo Corporation of Americas ("SCOA") will introduce and promote IXOS® to its extensive customer base in the gold mining industry and receive a 5% commission on applicable sales. SCOA completed a rigorous analysis and assessment of Sixth Wave's IXOS® molecular imprinted nanotechnology used for gold extraction. SCOA has also indicated an interest in future Sixth Wave technological advancements for the extraction of other metals and contaminants associated with mining activities.

On March 3, 2020, the Company announced that a jointly submitted proposal for the testing of IXOS® gold extraction technology in collaboration with the Centre Technologique des Résidus Industriels ("CTRI"), and a major top 10 gold producer (the "Testing Partner") has been approved. The initiative, known as "Green Alternatives for Gold Leaching and Recovery", is scheduled to commence in March of 2020 (the "Project"). The purpose of the Project is to validate alternative, environmentally-friendly, leaching technologies as well as Sixth Wave's IXOS® technology for the extraction of gold from both cyanide and other alternatives. Testing will be completed on low grade tailings originating from a gold producing site operated by the Test Partner. The Project will examine a variety of alternatives for the leaching of gold, including thiourea, thiocyanate, thiosulfate and halogens (such as bromine or iodine). After initial test work, IXOS® gold extraction beads (the "IXOS® Beads") will be tested in direct comparison to activated carbon as a means of extracting gold from various leach solutions. This examination will also include benchmark testing of the IXOS® Beads as a means of extracting gold from a cyanide leach solution.

On June 24, 2020, the Company announced that the Patent Office of the People's Republic of China has granted the Company a patent for its unique method of metal extraction and purification using molecularly imprinted polymers (the "Patent").

The Patent expands the Company's existing patent portfolio. Sixth Wave's IXOS® technology is one embodiment of the patented IP and selectively binds to target metal ions such as dicyanoaurate, which is the compound produced in the cyanide leaching process of gold extraction. IXOS® has been proven to result in more efficient metal extraction in multiple pilot programs with major mining companies.

On July 28, 2020, the Company announced the commencement of the previously announced testing of IXOS® gold extraction technology in collaboration with CTRI and a major top 10 gold producer. The start of the project, originally scheduled for March of 2020, had been delayed as a result of COVID-19, but ore has been shipped in July 2020. The Company further reported on testing results of its IXOS® beads on ore sourced from other gold producers who have expressed an interest in the IXOS® product. The Company expects to commence on-site testing with other producers once travel restrictions have eased.

In addition, the Company was granted a patent from the Patent Office of Russia for its metal extraction and purification polymer. (Russian Patent No. 2719736).

New Product Development – Accelerated Detection MIPs ("AMIPs")

In April 2020, the Company announced the filing of two patents applications with the United States Patent and Trademark Office, Patent Application Number 63000977 - The Use of Molecularly Imprinted Polymers for the Rapid Detection of Emerging Viral Outbreaks and The Use of Molecularly Imprinted Polymers for the Rapid Detection of Emerging Viral Outbreaks, Patent Application Number: 63/010,244. The patent applications cover a planned extension of the Company's MIPs technology to develop a platform, referred to as Accelerated Detection MIPs, or AMIPs, for the rapid detection and separation of viruses, biogenic amines and other pathogens, with planned targets to include the SARSCoV-2 virus responsible for COVID-19. The first patent application relates to the AMIPs technology, the use of MIPs to selectively bind to the target virus directly, using physical characteristics such as molecular size, shape and surface structures, which the company believes offers significant advantages over conventional rapid diagnostic technologies which rely on processes which can require highly trained laboratory staff and processing times ranging from hours to days, or that are limited to n the detection of antigens or antibodies which can take days or weeks to develop within the body. The second patent application proposes a wide range of practical devices to collect samples from multiple sources including individual patients, air and water supplies, and common everyday contact surfaces where the virus can survive and threaten human exposure between hosts. The goal of the envisioned products will be to deliver a warning indicator (including a visual colorimetric indicator or audible alarm), within minutes of the sampling process.

The Company has not yet developed functional prototypes of the AMIPs and collection and delivery devices described in the patent applications for virus detection but has developed similar products in the past for other target molecules, including explosives and explosive compounds and biogenic amines associated with harmful bacteria. Internal research and development of the AMIPs technology and delivery devices are ongoing and being conducted by the Company's scientific team. The AMIPs technology can be developed using molecular proxies for the virus, without the need for handling live viruses during the product testing and development stages. This approach allows the Company to proceed through many phases of the development before it needs to engage a qualified laboratory for validation testing. The Company maintains research connections with major US universities and national laboratories and will engage these and other experts and research facilities at the appropriate time in the development process. As the engagement of third parties has not yet been required, external expenditure on the development of the AMIPs technology has been minimal to date FDA, Health Canada, and other country government agency approvals will be required before any such products can be brought to the market.

On May 15, 2020, the Company announced that it had entered into a non-binding memorandum of understanding ("MOU") dated May 14, 2020 with Neocon International Inc. of Halifax, Nova Scotia ("Neocon") to design and produce a face mask which incorporates the Company's patent-pending virus detection technology ("SmartMask™") currently under development.

A potential application described in the AMIPs Device Patent is the incorporation of the AMIPs technology into an N95 Compliant, or other mask / respirator. The envisioned SmartMask™ could provide the standard protective capabilities of an N95 mask, with the added interactive capability to alert the user that a target virus has been detected in the exhaled breath of the user. The proposed method of alerting the user is a color change in the embedded AMIPs media, to be included in the face mask design. Based on prior experience with colorimetric media (namely, the Company's legacy Explosives Detection Polymer sold under the tradename "SAFE-T®"), Sixth Wave believes that AMIPs media can be designed to deliver a positive test result using variable color codes, including optional fluorescence, within minutes of exposure to the virus exhaled in the breath.

On June 15, 2020, the Company announced that it has partnered with York University ("York") and the Centre Technologique des Residus Industriels ("CTRI"), (the "Partnership"), for the development of its AMIPs virus detection technology through the submission of a grant application to Natural Sciences and Engineering Research Council of Canada ("NSERC").

The grant application is titled: Point-of-need Microfluidic Biosensor for Detecting Airborne Viruses using Molecularly Imprinted Polymers: Towards COVID-19 Virus Monitoring (the "Proposal") and is for the development of a portable and low-cost technology for rapid on-site air sampling and detection of aerosol and droplet-encapsulated viruses in indoor and outdoor environments.

Pursuant to the terms of the Proposal, Sixth Wave will contribute its proposed AMIPs detection technology to be incorporated into the design of one of the first field-deployable air monitoring systems used for the detection of viruses such as SARS-CoV-2 (the “Air Monitoring System”).

Upon design completion, the Partnership plans to develop a prototype that will be tested and used in an array of settings including but not limited to the public sector, private industry, hospitals, long-term healthcare facilities, and various forms of public transportation.

If successfully developed, the Air Monitoring System would be able to provide proactive virus detection capabilities to help maintain confidence in public settings and in the reopening of previously contaminated locations. The Air Monitoring System could be used to provide surveillance and mapping of virus hot spots to further assist in the prevention of additional virus infection. The Company is not making any express or implied claims that its product has the ability to eliminate, cure or contain the Covid-19 (or SARS-2 Coronavirus) at this time.

Other Business Developments

On March 16, 2020, the Company announced it has acquired a controlling interest in Geolithic Corp. (“Geolithic”) pursuant to an option agreement (the “Agreement”) executed with Trilateral Energy, LLC (“Trilateral”). The Company has tested several product designs tailored to lithium extraction in complex brines. These designs have focused on the utilization of the Company’s core molecular imprinting techniques, as well as novel implementations of other nanotechnologies, including new designs for macrocyclic ligands and molecular sieves. To this end, Sixth Wave has already applied for several patent applications for its technology in relation to lithium that are at various stages of review worldwide. Geolithic was established in January of 2017 as a joint venture between Trilateral and Sixth Wave to exploit the latter’s technology for the extraction of lithium from geothermal brines located primarily in the Salton Sea area of California. Pursuant to the original 2017 agreement, Trilateral held 60% of the outstanding shares of Geolithic, with Sixth Wave holding 40%. Under the terms of updated Agreement, Sixth Wave has now purchased an additional 15% controlling stake in the enterprise, with an option to obtain a full 100% before the end of 2020.

On April 1, 2020, the Company announced the appointment of Mr. John Cowan as the Company’s Chief Operating Officer. Mr. Cowan is a Mechanical Engineer with extensive experience in the planning, design, construction, and management of industrial manufacturing facilities in the United States. Mr. Cowan will be overseeing the production ramp-up and management of Sixth Wave’s Affinity™ Cannabinoid Purification and IXOS® Gold Extraction platforms immediately as well as overseeing new product development and roll out. His portfolio will include the production and quality control of both polymer extraction media (Affinity™ & IXOS® Beads), as well as the manufacture and assembly of associated hardware.

On April 13, 2020, the Company executed a Letter of Intent (“LOI” or “Letter of Intent”) for the acquisition of critical assets and intellectual property of Aurora Analytics, LLC of Baltimore, MD (“Aurora”) and the migration of all Aurora’s key staff to become employees of Sixth Wave. Under the terms of the non-binding LOI, all prior research, development and intellectual property of Aurora, including intellectual property pertaining to the detection and sequestration of viruses, biogenic amines and their associated markers (the “IP”) will be transferred to Sixth Wave upon signing of definitive agreements. Further to the LOI, Aurora’s Co-Founder and Managing Member, Aristotle Kalivretenos, will be appointed as Chief Scientific Officer of Sixth Wave (“CSO”), subject to regulatory approval, and key employees of Aurora will transfer to Sixth Wave as Company research staff. For further details pertaining to the LOI see the Company’s press release released on April 14, 2020.

On May 27, 2020, the Company announced the formation of its Strategic Advisory Board and the appointment of initial members, Admiral Jay Cohen, the Honourable Grant Mitchell, and Mr. Randy Johnson.

Admiral Cohen is a retired Rear Admiral of the United States Navy and served as Secretary of Homeland Security for Science and Technology of the US Department of Homeland Security under President George W. Bush. Admiral Cohen is now a principal of the Chertoff Group and sits on the board of select high tech and security companies.

Mr. Mitchell was appointed to the Senate of Canada in 2005 on the advice of Prime Minister Paul Martin and represented Alberta until his retirement earlier this year. Prior to his appointment to the Senate, Mr. Mitchell spent twelve years serving in the Alberta Legislature as MLA, including four years as Opposition Leader from 1994 to 1998.

Mr. Johnson is a highly successful entrepreneur having successfully founded Alaska Ship and Drydock in Ketchikan, Alaska, guided the company through an $80 million shipyard expansion project, and ultimately selling the company to Vigor Industrial in 2012. Mr. Johnson is President of Tyler Rental Inc, a multi-state equipment rental business.

On June 18, 2020, the Company announced that it has expanded its Strategic Advisory Board with the addition of key individuals to assist in development and advancement of the Sixth Wave’s AMIPs technology which included Dr. David Fransen and Mr. Dion Phaneuf.

Dr. Fransen’s career spans 40 years in various roles including senior executive positions in government, academia and the diplomatic corps. Dr. Fransen has provided strategic leadership across a wide range of economic policy and program sectors

as a senior official at the Privy Council Office and Health Canada, as an Assistant Deputy Minister at Industry Canada, as the first Executive Director of the Institute for Quantum Computing, and as Canada's Consul General in Los Angeles.

Mr. Dion Phaneuf is a three-time National Hockey League ("NHL") All-Star, represented Canada internationally five times in his career, winning a silver medal and a gold medal at the World Junior Hockey Championship in 2004 and 2005, respectively, as a well as a gold medal at the 2007 Men's World Ice Hockey Championships. Mr. Phaneuf has played over 1000 games in the NHL during his 14-year professional career. Mr. Phaneuf matches his on-ice presence with his off-ice devotion to the community and in 2008 the Calgary Flames honoured Mr. Phaneuf for his role as an ambassador to the Alberta Children's Hospital and other community endeavours awarding him the Ralph T. Scurfied Award for humanitarian service. Mr. Phaneuf was also a common sight at Toronto events, often appearing at fundraisers, promotion activities, or visiting patients at the Sick Kids Hospital. To this day Mr. Phaneuf's off-ice leadership continues as demonstrated through his involvement in the Special Olympics and organizing and hosting an annual fundraising events in his off-season home in Prince Edward Island.

MERGER TRANSACTION WITH 6WIC

Effective January 31, 2020, the Company acquired 100% of the issued and outstanding shares of 6WIC, upon completion of the Merger Transaction. The business combination has been accounted for using the acquisition method with the results of operations consolidated with those of the Company effective January 31, 2020.

Pursuant to the ("Merger Transaction"):

1) The Company paid $1,825,585 and issued 14,291,056 common shares at a fair value of $10,718,292. As part of the Merger Transaction with 6WIC, the Company replaced 749,849 warrants of 6WIC having exercise prices ranging from $2.66 (USD $2.00) to $10.00 (USD $7.50) and reduced the term of the replaced warrants to the lessor of the unexpired term or three years after closing date with 3,928,043 warrants with an exercise price of $0.75 per share with expiry dates ranging from six months to three years after the closing date.

2) The Company settled outstanding loans payable to Affinity Nano as follows:

   - On closing of the Merger Transaction $1,905,284 ($1,444,639 USD) will be converted into 2,719,202 common shares of the Company.
   - $1,443,186 ($1,087,555 USD) was repaid in cash.
   - The Company entered into a convertible debenture in the amount of $1,322,359 ($1,000,000 USD) (the "Convertible Loan"). The Convertible Loan will bear interest at 10% compounded monthly and payments of $25,000 USD are to be paid at the end of each month.

3) In connection with the Convertible Loan the Company issued 1,777,778 warrants to Affinity Nano.

4) The Company assumed certain deferred salary loans owed to certain employees of 6WIC and settled the outstanding balance as follows:

   - Upon closing of the Merger Transaction 25% of the outstanding balance was repaid or became payable to the respective parties. At January 31, 2020, the Company paid $426,633 ($322,270 USD). The remaining balances of the respective deferred salary loans will accrue interest at 0.667% per month and are to be repaid over 24 months at various payment amounts.

The consideration paid and the preliminary allocation of the consideration to fair values of the assets acquired and liabilities assumed in the acquisition at January 31, 2020 are as follows:

Consideration		
Cash	$	3,695,405
Shares		12,623,576
Replacement warrants		686,362
Convertible debenture		1,031,186
Warrants issued in connection to convertible debt		516,597
Total consideration	$	18,553,126

Fair value of net assets acquired		
Cash	$	49,266
Receivables		109,095
Prepaid expense and other		86,097
Investment in associated company		211,578
Equipment		251,076
Right of use asset		345,125
Pilot plant		98,776
Intellectual property		2,098,105
Goodwill		20,557,269
Accounts payable and accrued liabilities		(682,420)
Lease obligation - current		(99,632)
Lease obligation - long term		(247,722)
Convertible debentures (bridge loan receivable - note 8 (a))		(1,436,843)
Deferred salary loans		(1,817,098)
Deferred revenue - long term		(528,944)
Deferred income tax liability		(440,602)
Net assets acquired	$	18,553,126

As of the date of the Company's condensed interim consolidated financial statements, the determination of fair value of assets and liabilities acquired is based on preliminary estimates and has not been finalized. The Company is currently in the process of determining the fair values of the net assets acquired, specifically the fair value of intangible assets acquired, the fair value of the developing and commercializing technologies for extraction and detection of target substances at the molecular level. The actual fair values of the assets and liabilities may differ materially from the amounts disclosed in the preliminary fair value above and are subject to change within a period not to exceed twelve months from the acquisition date with retroactive restatement of the impact of adjustment to those provisional fair values effective as at the acquisition date.

During the nine months ended May 31, 2020, the Company incurred total transaction expenses in connection with the Merger Transaction totaling $1,213,621. The transaction expenses are disclosed separately in the statement of loss and comprehensive loss.

CHANGES IN SHARE CAPITAL ISSUED

Private placements:

On October 21, 2019, the Company closed the third tranche of its previously announced non-brokered private placement and issued 3,480,583 common shares of the Company at $0.75 per share for gross proceeds of $2,610,437.

On December 6, 2019, the Company closed the fourth tranche of its previously announced non-brokered privative placement and issued 2,000,000 common shares of the Company at $0.75 per share for gross proceeds of $1,500,000.

On January 16, 2020, the Company closed the fifth tranche of its previously announced non-brokered privative placement and issued 5,212,558 common shares of the Company at $0.75 per share for gross proceeds of $3,909,419.

On January 31, 2020, the Company's completed its obligations pursuant to the subscription receipts and issued shares of 3,603,600 for gross proceeds of $2,702,700.

The Company paid finders fees and issuance costs in the amount of $68,343 in connection with the above private placements and issued a total of 71,916 finders warrants. The fair value of the warrants are $28,453 was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 100%, risk-free interest rate of 1.47%, expected life of 2 years and a dividend rate of 0%.

On April 1, 2020, the Company issued 295,000 common shares with a fair value of $146,025 as finders fees in connection with the above private placements.

Acquisition of 6WIC:

On January 31, 2020, the Company issued 14,291,056 common shares of the Company at $0.75 per share valued at $10,718,292 as part of the Merger Transaction consideration. In addition, the Company issued 2,719,202 common shares of the Company at $0.75 per share valued at $1,905,284 to settle existing debt obligations of 6WIC and in conjunction with the Merger Transaction.

Warrant and option exercises:

The Company issued 9,323,455 common shares for gross proceeds of $606,025 in connection with the exercise of warrants.

Escrowed shares:

As at May 31, 2020, 14,464,719 common shares of the Company are subject to an escrow agreement pursuant to National Instrument 46-201 Escrow for Initial Public Offerings. A total of 15% of the shares will be released from escrow every 6 months until all have been released.

Furthermore, an additional 2,550,294 common shares are subject to an escrow agreement pursuant to the terms of the Merger Transaction. These shares will be released from escrow on or before July 31, 2021.

Exploration and Development Projects

The Company no longer has any interest in any mineral claims.

RESULTS OF OPERATIONS

Operating Expenses:

Three months ended May 31, 2020

During the three months ended May 31, 2020, the Company incurred a loss of $2,568,562 compared to a loss of $2,203,073 for the three months ended May 31, 2019. The significant changes during the current period compared to the comparative period are:

- As a result of the Merger Transaction the Company recorded amortization on its equipment, right of use assets, and intellectual property of $157,922 (2019 – Nil).

- Advertising and promotion expense increased by $316,896 in connection with the Company's recent listing on the CSE.

- Consulting fees increased by $641,817 to $961,730 (2019 - $319,913). The Company had additional management and consultants engaged in the current period compared to the comparative period as a result of the Merger Transaction.

- Office and miscellaneous increased by $9,938 to $21,553 (2019 - $11,615) as a result of the increased business activity due to the completion of the Merger Transaction.

- Professional fees increased by $104,608 to $284,412 (2019 - $179,804) as a result of the increased activity due to the completion of the Merger Transaction in the current period. The Company has also incurred additional legal expenditures relating to new product developments and other business developments.

- Research and development expenditures decreased by $112,478 to $315,899 (2019 - $428,377) in the current period due to COVID-19 related restrictions.

- The Company recorded share-based compensation of $265,514 attributable to the estimated value of stock options vested during the period. In the prior period the Company recorded $416,350 resulting in a difference of approximately $150,836. The difference period over period is attributable to the size and timing of options granted in each period.

- Transaction costs were $812,494 during the three months ended May 31, 2019, due to the payment of extension costs in relation to the Merger Agreement announced September 11, 2018.

- Travel and related expenses decreased by $17,683 to $19,370 (2019 - $37,053) in the current quarter as a result of travel restrictions imposed by COVID-19.

- During the three months ended May 31, 2020 the Company recorded a fair value adjustment of $107,071 (2019 – Nil) in connection with the convertible debenture recognized on the closing of the Merger Transaction.

- During the three months ended May 31, 2020, the Company recorded interest expense of $249,017 (2019 – Nil) as a result of convertible debentures and lease liability obligations.

- During the three months ended May 31, 2020 the Company recorded a foreign exchange loss of $70,892 (2019 – $9,979). As the Company operates in Canada and the United States and deals with both the Canadian and United States currencies, the Company may continue to incur foreign exchange gains and losses arising from changes in the value of the Unites States dollar relative to the Canadian dollar.

Nine months ended May 31, 2020

During the nine months ended May 31, 2020, the Company incurred a loss of $6,632,190 compared to a loss of $5,027,764 for the nine months ended May 31, 2019. The significant changes during the current period compared to the comparative period are:

- As a result of the Merger Transaction the Company recorded amortization on its equipment, right of use assets, and intellectual property of $209,688 (2019 – Nil).

- Advertising and promotion expense increased by $698,538 over the comparable prior period in connection with the Company's recent listing on the CSE.

- Consulting fees increased by $724,352 to $1,899,743 (2019 - $1,175,391). As the Merger Transaction was completed in the current period the Company had additional management and consultants engaged in the current period compared to the comparative period.

- Office and miscellaneous increased by $33,607 to $45,222 (2019 - $11,615) as a result of the increased business activity due to the completion of the Merger Transaction.

- Professional fees increased by $117,120 to $479,041 (2019 - $361,921) which is largely attributable to the legal fees associated with closing the Merger Transaction and associated financings.

- Research and development expenditures decreased by $176,617 to $958,865 (2019 - $1,135,482) due to a decrease in research expenditures related to the Company's Affinity™ technology in the current period.

- The Company recorded share-based compensation of $658,005 attributable to the estimated value of stock options vested during the period. In the prior period the Company recorded $416,350 resulting in a difference of approximately $241,655. The difference period over period is attributable to the size and timing of options granted in each period.

- Transaction costs totalled $1,213,621 during the nine months ended May 31, 2020 (2019 - $1,908,934) due to the payment of extension costs in relation to the 6WIC agreement announced September 11, 2018 and costs associated with the closing of the Merger Transaction.

- Travel and related expenses increased by $132,951 to $170,605 (2019 - $37,654) as the Company closed the Merger Transaction and increased travel was required to advance the development of the Company's Affinity™ and IXOS® technology platforms.

- During the nine months ended May 31, 2020 the Company recorded a fair value adjustment of $112,828 (2019 – Nil) in connection with the convertible debenture recognized on the closing of the Merger Transaction.

- The Company recorded other income during the period of $150,511 relating to interest earned on the subscription receipts and loan receivable.

- During the nine months ended May 31, 2020, the Company recorded interest expense of $328,355 (2019 – Nil) as a result of the Merger Transaction and related convertible debenture and lease liability obligations.

- During the nine months ended May 31, 2020 the Company recorded a foreign exchange loss of $113,538 (2019 – $10,480). As the Company operates in Canada and the United States and deals with both the Canadian and United States currencies, the Company may continue to incur foreign exchange gains and losses arising from changes in the value of the Unites States dollar relative to the Canadian dollar.

SUMMARY OF QUARTERLY RESULTS

Selected financial indicators for the past eight quarterly periods are shown below:

Three Months Ended	May 31, 2020	February 29, 2020	November 30, 2019	August 31, 2019
Net loss	(2,568,562)	(2,226,060)	(1,855,727)	(2,144,056)
Loss per share – basic and diluted	(0.03)	(0.04)	(0.05)	(0.06)
Total assets	25,360,675	26,745,741	5,508,393	5,180,929
Working capital (deficit)	(1,532,496)	278,583	1,500,685	1,493,718
Three Months Ended	**May 31, 2019**	**February 28, 2019**	**November 30, 2018**	**August 31, 2018**
Net loss	(2,203,073)	(1,057,946)	(670,305)	(514,803)
Loss per share – basic and diluted	(0.06)	(0.03)	(0.03)	(0.03)
Total assets	3,111,007	2,699,738	1,443,754	2,051,740
Working capital (deficit)	2,610,796	2,675,632	1,365,934	1,846,252

Expenses for the quarters ended February 29, 2020, November 30, 2019 and August 31, 2019 were higher than comparable prior year quarters as the Company incurred $648,058, $292,955 and $588,543 respectively of management and consulting costs in connection with the Merger Transaction. This contributed to an overall net loss of $2,226,060 in the quarter ended February 29, 2020, $1,855,727 in the quarter ended November 30, 2019 and $2,144,056 for the quarter ended August 31, 2019. Other fluctuations occur in the Company's expenditures reflecting the variations in the timing of research, general operations, and the ability of the Company to raise capital for its projects, including share-based payments during certain quarters. See also the Results of Operations section above for additional information. Transaction costs related to the extension of the Merger Transaction caused a significant increase in losses during Q1 of the fiscal year ending August 31, 2020 and Q4, Q3, and Q2 of the fiscal year ended August 31, 2019.

LIQUIDITY AND CAPITAL RESOURCES

As at May 31, 2020, the Company had a cash balance of $831,050 (August 31, 2019 - $610,425) to settle current liabilities of $2,618,130 (August 31, 2019 - $3,161,041).

The Company expects to fund its liabilities and its operational activities through cash on hand and through the issuance of capital stock or other financial instruments over the upcoming fiscal year ending August 31, 2020.

Net cash used in operating activities for the nine months ended May 31, 2020 was $3,543,990 (2019 - $4,681,116). The cash was primarily used for the payment of research and development, management and consulting, advertising and promotion, general and administrative expenses, net of non-cash expenditures, and transaction costs related to the Merger Transaction as further detailed in the detailed in the statement of cash flows.

During the nine months ended May 31, 2020, net cash gained in financing activities was $7,849,928 (2019 - $5,767,628). Financing related cash inflows consisted of proceeds from the issuance of shares of $7,231,713 (2019 - $5,767,628) and exercise of warrants of $606,024 (2019 – Nil). In addition, the Company received $195,423 ($139,200 USD) from the Small Business Administration ("SBA") as a result of its application to the Paycheck Protection Program ("PPP Loan"). Financing related cash outflows consisted of repayment of deferred salary loans of $80,553 (2019 – Nil), payments on the convertible debenture of $69,800 (2019 – Nil) and payments on the Company's lease liability of $32,879 (2019 – Nil).

During the nine months ended May 31, 2020, the Company paid $3,695,405 and received $49,266 in cash in connection with the Merger Transaction and acquisition of 6WIC. Purchased equipment of $107,208 (2019 – Nil) and acquired shares of Geolithic for $99,177 ($75,000 USD). Furthermore, the Company advanced $232,969 (2019 – Nil) under the terms of a loan agreement between Affinity Farms Inc. ("AFI") and the Company (bearing 10% interest compounded annually, due on May 31, 2022 and secured by the assets of AFI).

OFF-BALANCE SHEET ARRANGEMENTS

As at May 31, 2020, the Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with key management personnel, being those persons determined as having authority and responsibility for planning, directing and controlling the activities of the Company. Key management includes the Company's board of directors and executive officers. A summary of transactions with key management are summarized as follows:

	Nine Months Ended May 31, 2020	Nine Months Ended May 31, 2019
Management and consulting	$ 599,487	$ 100,000
Share-based payments	37,811	23,567
Deferred salary loan payments	49,229	-
Total	$ 686,527	$ 123,567

During the nine months ended May 31, 2020, the Company paid $235,970 (2019 – Nil) in management and consulting expense to the CEO of the Company pursuant to CEO services provided. The amount paid included a one-time signing bonus of $135,970 (2019 – Nil). The Company recorded $6,732 in share-based compensation representing the fair value of options that were granted to the CEO which have vested during the period. Pursuant to the deferred salary loan agreements, as further described in note 17, the CEO received payment of $9,838 (2019 – Nil) against the balance owing. As at May 31, 2020, the balance owing under the deferred salary loan agreement to the CEO is $565,531 (2019 – Nil). On closing of the Merger Transaction, as outlined in note 6, the CEO was entitled to a repayment of $179,542 or 25% of the balance owing at January 31, 2020. The CEO has deferred this payment and the amount is included in accounts payable and accrued liabilities as at May 31, 2020.

During the nine months ended May 31, 2020, the Company paid $92,500 (2019 - $72,500) in management and consulting expense to the CFO of the Company pursuant to CFO and Director services provided. The amount included a one-time bonus of $15,000. The Company recorded $2,463 in share-based compensation representing the fair value of options that were granted to the CFO which have vest during the period.

During the nine months ended May 31, 2020, the Company paid $25,000 (2019 - $20,000) in management and consulting expense to the former CFO and Director of the Company for services provided up until January 31, 2020. The fees paid in 2020 included a separation payment of $15,000. The Company recorded $5,193 in share-based compensation representing the fair value of options that were granted to the former CFO and Director which have vested during the period.

During the nine months ended May 31, 2020, the Company paid $181,538 (2019 – Nil) in management and consulting expense to the Executive Vice President ("EVP") of the Company for EVP services provided. The amount included a one-time signing bonus of $100,000. The Company recorded $4,926 in share-based compensation representing the fair value of options that were granted to the EVP which have vested during the period. Pursuant to the deferred salary loan agreements, as further described in note 17, the EVP received payment of $39,391 (2019 – Nil) against the balance owing. As at May 31, 2020, the balance owing in accordance with the deferred salary loan agreement is $508,306 (2019 – Nil).

During the nine months ended May 31, 2020, the Company paid $10,000 (2019 – Nil) in management and consulting expense to a former Director of the Company for services provided up until January 31, 2020. The fees paid in 2020 included a separation payment of $7,500. The Company recorded $2,077 in share-based compensation representing the fair value of options that were granted to the former Director which have vested during the period.

During the nine months ended May 31, 2020, the Company paid fees of $54,479 (2019 – Nil) to Directors of the Company and recorded $23,690 (2019 – Nil) in share-based compensation representing the fair value of options granted to Directors of the Company which have vested during the period.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Going concern

The assessment of the Company's ongoing viability as an operating entity and determination of the related disclosures require significant judgment.

Business combinations

Determining whether an acquisition is a business combination or an asset acquisition. Judgment is also required to assess whether contingent consideration should be classified as equity or a liability. Measuring the fair value of equity instruments issued as consideration for a business combination, and in allocating the fair value of consideration paid to the assets acquired and liabilities assumed.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. Noncontrolling interests in the acquiree are measured on the basis of the non-controlling interests' proportionate share of this equity in the acquiree's identifiable net assets. The excess of the aggregate of the consideration transferred and the amount of any non-controlling interest in the acquiree over the net assets of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a liability is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in net income (loss).

Functional currency

Determination of an entity's functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operations and is re-evaluated when facts and circumstances indicate that conditions have changed.

Classification of associated company

Classification of investments requires judgment as to whether the Company controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. If an investor holds 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

The Company has classified its investment in Geolithic Corp. as an associated company and as at January 31, 2020 as the Company owned 40% of the outstanding common shares of Geolithic Corp. On February 28, 2020, the Company entered into an option agreement to purchase additional common shares of Geolithic Corp. On March 6, 2020, the Company exercised its rights under the option agreement and acquired an additional 15% of Geolithic Corp. The Company continues to classify its investment in Geolithic as an associated company based on management's judgement that the Company has significant influence, based on rights to board representation and/or other provisions in the respective shareholders' agreement.

Financial instruments

The determination of categories of financial assets and liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
The identification of convertible note component is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. the separation of components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of fair value of the liability is also based on several assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Share-based payments

Share-based payments, as measured with respect to stock options granted are estimated using the Black-Scholes pricing model.

Income taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.
Valuation of investment in associated company

To value the investment in associated company, management obtains financial information from the majority owner and adjusts the carrying value of the investment. The investment is subject to all estimates includes in the financial information from the majority owner as well as estimates of impairment losses.

Valuation of loan payable

The Company used the effective interest rate method to measure the loan payable and the difference between the fair value at inception and the loan proceeds received is recorded as deferred revenue. The Company was also required to estimate the market rate for a comparable instrument with a similar term. Changes in the interest rate used can materially affect the fair vale estimate and accretion rate of the debt.

Embedded derivatives

As part of assessing whether an instrument is a hybrid financial instrument and contains and embedded derivative, significant judgement is required in evaluating whether the host contract is more akin to debt or equity and whether the embedded derivative is clearly and closely related to the underlying host contract. The Company concludes that the host instrument of the convertible debentures is a debt host due to the holder's right to redeem the instrument for cash at a point in time in the future. The Company determines that the conversion option is not closely related to the debt host, and that the conversion option is required to be separated from the host instrument and accounted for as an embedded derivative due to the variability in the number of shares issuable under the convertible debentures. In applying its judgement, the Company relies primarily on the economic characteristics and risks of the instrument as well as the substance of the contractual arrangements.

The initial fair values of the embedded derivative conversion options and subsequent re-measurements at fair value at each reporting date are determined by using the Black-Scholes pricing model which required exercise of judgment in relation to variables such as expected volatilities in share price and foreign exchange rates.

Estimated useful lives, impairment considerations and amortization of tangible assets, intangible assets, and goodwill

Amortization of tangible assets and intangible assets is dependent upon estimates of useful lives based on management's judgment.

Goodwill impairment testing requires management to make critical estimates within the impairment testing model. On an annual basis, the Company tests whether goodwill is impaired. Impairment of tangible and intangible assets with limited lives are affected by judgements about impairment indicators and estimates used to measure impairment losses where necessary.
The recoverable value of goodwill and tangible and intangible assets is determined using discounted cash flow models, which incorporate assumptions about future events including future cash flows, growth rates and discount rates.

FUTURE ACCOUNTING POLICY CHANGES

The Company adopted following accounting standards and amendments to accounting standards effective September 1, 2019:

IFRS 16 Leases

On January 1, 2019 the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 – Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IRFS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates classification of leases as either operating leases or finance leases for the lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease liabilities related to its lease commitments for its office lease. The lease liability will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019, the date of the initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount, plus prepaid lease payments made by the Company. The Company has implemented the following accounting policies permitted under the new standard:

- Leases of low dollar value will continue to be expensed as incurred; and
- The Company will not apply any grandfathering practical expedients.

At September 1, 2019 the Company adopted this standard and there was no material impact on the Company's consolidated financial statements.

New accounting policy for leases under IFRS 16

The following is the accounting policy for leases as of January 1, 2019 upon adoption of IFRS 16:

The Company assesses whether a contact is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assess whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-to-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rare implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depends on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- Exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, of the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company does not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

For the purposes of preparing and presenting the Company's financial statements, the Company has adopted all applicable standards and interpretations issued.

IFRIC interpretation 23 Uncertainty over income Tax Treatments

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. At January 1, 2019, the Company adopted this standard and there was no material impact on the Company's financial statements.

Refer to Note 4 of the financial statements for further details of significant accounting policies adopted during the period, standards, interpretations, and amendments issued by the International Accounting Standards Board.

OTHER MD&A REQUIREMENTS

Share Capital

Common Shares

As at May 31, 2020 there were 79,619,107 issued and fully paid common shares outstanding. As at the date of this report, there were 79,619,107 issued and fully paid common shares outstanding.

Stock options

As at May 31, 2020 there were 4,875,000 stock options outstanding. As at the date of this report, there were 4,875,000 stock options outstanding.

Warrants

As at May 31, 2020, there were 6,019,946 warrants outstanding. As at the date of this report, there were 6,019,946 warrants outstanding.

Escrowed shares

As at May 31, 2020, 14,464,719 common shares of the Company are subject to an escrow agreement pursuant to National Instrument 46-201 *Escrow for Initial Public Offerings.* A total of 15% of the shares will be released from escrow every 6 months until all have been released.

Furthermore, an additional 2,550,294 common shares are subject to an escrow agreement pursuant to the terms of the Merger Transaction. These shares will be released from escrow on or before July 31, 2021.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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.

As at May 31, 2020, the carrying values of receivables, accounts payable and accrued liabilities, approximate their fair values due to their short terms to maturity.

Financial Risks

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, with cash and bridge loan receivable classified as Level 1:

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).

As at May 31, 2020 the carrying values of cash, receivables, loans receivable, accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity or market rates of interest.

The Company is exposed to Credit, Liquidity and Market risks from its use of financial instruments, as follows:

Credit risk

The Company's credit risk is primarily attributable to cash, receivables, and loans receivable. The Company’s primary exposure to credit risk is on its loan’s receivable and bridge loan receivable. This risk is partially managed by a security interest in the assets of one of the borrowers. Cash consists of accounts at a reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances of up to $100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with a high-quality financial institution.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company’s normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

As at May 31, 2020, the Company had a cash balance of $831,050 (2019 - $610,425) to settle accounts payable and accrued liabilities of $909,328 (2019 - $894,320).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company’s access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest risk - The Company has cash balances. The Company’s current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. At May 31, 2020, the Company didn’t hold any investment-grade short-term deposit certificates. The Company does not have any debt that bears variable interest rates.

b) Foreign currency risk - Foreign currency risk is the risk that variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company’s operating and financial results. The Company has operations in the United States and as a result is subject to risk due to fluctuations in the exchange rates for the Canadian and US dollars. As at May 31, 2020, the Company had a foreign currency net monetary liability position of $3,715,717 USD. Each 1% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain or loss of approximately $37,157.

c) Price risk - The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company’s earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Other Risks

See Section 17 ‘’Risk Factors” of the Company’s Listing Statement dated February 6, 2020 as found under the Company’s SEDAR profile (the “Listing Statement”).

COVID-19

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While COVID-19 has had minimal impact on the Company’s operations to date, due to the Company’s small workforce and ability to implement measures such as working remotely and implementing appropriate social distancing and cleaning regimes in its workplaces, the pandemic has caused significant uncertainty and turbulence in the capital markets. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or its ability to raise funds.

Early Stage

The Company is an early stage company with limited operating revenue to date. As such, investors do not have a significant operating history, or financial information, upon which to evaluate the Company’s ability to achieve its current business plan and future objectives. Investors should consider the risks and difficulties the Company might encounter, especially given its limited operating history.

The Company develops technology for use in both the mineral resource and cannabis industries, two rapidly transforming industries. There is no guarantee that the Company’s technology or services will become or remain attractive to potential and current users as these industries undergo rapid change or that potential customers will utilize the Company’s technology or services. In addition, most of the Company’s management has no substantial previous experience in the cannabis industry. Accordingly, management may have limited insight into trends that might emerge and could materially affect the Company’s business, operations or financial condition.

Need for Additional Funds

Substantial additional financing may be required if the Company is to be successful with the development of its business. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, or may not be able to develop its business at all.

Technology and Intellectual Property Risks

The Company’s technology is still at the testing and development stage and there is no guarantee that further testing and development will be successful. The long-term success of the Company will be in part directly related to the success of the testing of its technology by its partners, clients and customers. Even if testing is successful, partners, clients and customers

may be unwilling to change their processes to incorporate the Company's technology into those processes due to uncertainty, budget limitations or other factors beyond the control of the Company.

The Company expects to rely on a combination of patent, copyright and trade-secret laws, confidentiality procedures, and contractual provisions to establish, maintain, and protect its technology. The steps the Company takes may not prevent misappropriation of its intellectual property, and the agreements the Company enters into may not be enforceable. Despite the Company's efforts to protect its technology, unauthorized parties may copy or otherwise obtain and use the Company's proprietary technology or obtain information the Company regards as proprietary. Policing unauthorized use of its technology, if required, may be difficult, time consuming, and costly. The Company's means of protecting its technology may be inadequate.

Third parties may apply for and obtain patent protection for technology which is similar to the Company's technology. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of its technology or to obtain and to use information that the Company regards as proprietary. Third parties may also independently develop similar or superior technology without violating the Company's proprietary rights. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent as do the laws of Canada or the United States.

U.S. federal trademark and patent protection may not be available for cannabis-related aspects of the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance. As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the Federal CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as U.S. federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company in relation to this industry. As a result, the Company's intellectual property may not be adequately or sufficiently protected against the use or misappropriation by third-parties in the cannabis industry. In addition, since the U.S. regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection for cannabis-related aspects of its intellectual property, whether on a U.S. federal, state or local level.

Although the Company believes that its technology does not infringe proprietary rights of others, litigation may be necessary to protect the Company's proprietary technology and third parties may assert infringement claims against Company with respect to their proprietary rights.

Any claims or litigation can be time consuming and expensive regardless of their merit. Infringement claims against the Company could cause the Company to redesign its technology or to enter into royalty or license agreements that may not be available on terms acceptable to the Company, or at all.

Risks Related to the Cannabis Industry

A portion of the business of the Company could be involved in the medical and adult-use cannabis industry in the United States, Canada and internationally through the development of technology related to the extraction of cannabinoids from cannabis products for use in the cannabis industry. The relatively new development of the medical and adult-use cannabis industry presents risks that are not inherent in other developing or mature industries, particularly due to its prior status as an illegal industry in Canada and current status in the United States as an illegal industry under United States federal law. Risks include uncertainty regarding the breadth of public acceptance and demand for cannabis products, absence of research regarding positive and negative effects of cannabis use, limited approved medical applications for cannabis products. Risks also include fragmented markets, rapid growth and potential failure of early stage companies who would be the customers of the Company's Affinity™ product, due to inexperienced managers lacking conventional business and financial discipline or otherwise, an absence of industry and product standards, rapidly evolving legal landscapes with multiple frameworks and potential rapidly shifting public opinion. In the United States, access to capital and lenders may be limited or not available at all, and potential partners or customers of the Company's Affinity™ product in jurisdictions where cannabis remains illegal may be reluctant to transact with a company involved in the cannabis industry.

Cannabis Remains Illegal Under U.S. Federal Law

The Company is engaged in research regarding the applicability of its extraction polymer technology to the extraction of cannabinoids from cannabis products for use in the cannabis industry in certain states of the United States. The Company will not be engaged in the production or sale of cannabis products in Canada or the United States, but may be considered to have ancillary involvement in the cannabis industry in Canada, the United States and other countries, through the provision of extraction technology services, if it is successful in developing its extraction polymer technology for the extraction of cannabinoids. Although certain states and territories of the U.S. authorize medical or adult-use cannabis cultivation, production, distribution and sale by licensed or registered entities, under U.S. federal law marijuana is a Schedule 1 controlled substance under the Federal CSA and is illegal under federal U.S. law. Even in those states in which the use of marijuana has been legalized, its use remains a violation of federal law. Since federal law criminalizing the use of marijuana is not pre-empted by state laws that legalize its use, strict enforcement of federal law regarding marijuana would harm the Company's business, prospects, results of operation, and financial condition.

Federal Regulation of Marijuana in the United States

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Access to Cannabis for Medical Purposes Regulations (Canada) and the proposed regulation

of recreational cannabis under the Cannabis Act (Canada), investors are cautioned that in the United States, cannabis is largely regulated at the state level. To date, a total of 33 states, plus the District of Columbia, have legalized cannabis for comprehensive medical or recreational use, and 17 others have laws in place which recognize medical benefits for at least some cannabinoids.

Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a Schedule 1 controlled substance under the Federal CSA in the United States and as such, remains illegal under federal law in the United States.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "Cole Memorandum") addressed to all United States district attorneys acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several states had enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined the priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice never provided specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.

In March 2017, then-newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit. However, on January 4, 2018, Mr. Sessions issued a new memorandum that rescinded and superseded the Cole Memorandum effective immediately (the "Sessions Memorandum"). The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to cannabis activities. The inconsistency between federal and state laws and regulations is a major risk factor.

As a result of the Sessions Memorandum, federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities.

The DOJ is now headed by Attorney General William Barr, who was confirmed to such post by the Senate on February 14, 2019, following A.G. Sessions' resignation in late 2018 and the interim tenure of Matthew Whitaker as Acting Attorney General. A.G. Barr, who also served in such position under President George H.W. Bush, announced that he did not foresee enforcement of federal cannabis laws against state-legal actors. "I'm not going to go after companies that have relied on the Cole memoranda," Barr told Senator Cory Booker (D-N.J.) during his confirmation hearings. "My approach to this would be not to upset settled expectations and the reliance interest that have arisen as a result of the Cole memoranda and investments have been made."

While Mr. Barr has made his stance toward the Cole Memorandum clear, he remains skeptical of the state-legal cannabis industry in general. He has indicated his support for a broad federal criminalization of cannabis, and declared in his confirmation hearings that "[i]t's incumbent on the Congress to make a decision as to whether we are going to have a federal system or whether it's going to be a central federal law." While this position is somewhat contradictory with respect to his statements regarding the Cole Memorandum, it appears that Mr. Barr intends to refrain from initiating prosecutions against state-compliant actors at this time, and would likely look for Congressional action of some kind prior to changing this stance.

Mr. Barr has made no public comments regarding the FinCEN Memorandum. Because the FinCEN Memorandum is not a Department of Justice memorandum, but from the Department of the Treasury, Mr. Barr would not control its revocation. However, Mr. Barr's stance toward the 2014 Cole Memo indicates that the FinCEN Memorandum will continue to guide his decisions regarding enforcement priorities.

Neither the Sessions Memorandum nor Mr. Barr has discussed the treatment of medical cannabis by federal prosecutors, which is currently protected against enforcement by enacted legislation from United States Congress in the form of the Leahy Amendment to the Consolidated Appropriations Act of 2019, which prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding. Due to the ambiguity of the Sessions Memorandum, there can be no assurance that the federal government will

not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law, but the Leahy Amendment does provide protection from prosecution for medical cannabis businesses.

When President Trump signed the omnibus appropriations bill containing the Leahy Amendment on February 15, 2019, he added a signing statement: "Division C, section 537, provides that the Department of Justice may not use any funds to prevent implementation of medical marijuana laws by various States and territories. I will treat this provision consistent with the President's constitutional responsibility to faithfully execute the laws of the United States." Inclusion of this signing statement does not appear at this time to indicate a new approach to enforcement of federal cannabis laws by the White House, but does illustrate the legal uncertainty surrounding the industry.

Federal law is not pre-empted by state law in these circumstances, so the federal government can prosecute criminal violations of federal cannabis laws despite the existence of state laws allowing such activity. The level of prosecutions of state-legal cannabis operations is entirely unknown; nonetheless the stated position of the current administration is hostile to legal cannabis, and furthermore may be changed at any time by the DOJ, to become even more aggressive. The Sessions Memorandum lays the groundwork for United States Attorneys to take their cues on enforcement priority from the federal law enforcement guidance set forth in the U.S. Attorney's Manual (USAM). If the DOJ policy under Attorney General Jeff Sessions was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such DOJ policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the Federal CSA for aiding and abetting and conspiring to violate the Federal CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

Notably, current federal law (in the form of the Leahy Amendment) prevents the Department of Justice from expending funds to intervene with states' rights to legalize cannabis for medical purposes. In the event Congress fails to renew this federal law in its next budget bill, the Leahy Amendment for medical cannabis operators will be void. Should the Leahy Amendment not be renewed upon expiration in subsequent spending bills there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law. Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company.

Now that the Cole Memorandum has been repealed by former Attorney General Jeff Sessions, the Department of Justice under Attorney General William Barr and the current administration or an aggressive federal prosecutor could allege that the Company and its Board and, potentially its shareholders, "aided and abetted" violations of federal law by providing finances and services to 6WICand Affinity Farms Inc. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Company, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing financing or services. In these circumstances, the Company's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

On January 12, 2018, the Canadian Securities Administrators issued a statement that they were considering whether the disclosure-based approach for issuers with U.S. cannabis-related activities remains appropriate in light of the rescission of the Cole Memorandum. On February 8, 2018 the Canadian Securities Administrators published a staff notice (Staff Notice 51-352) setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the United States cannabis industry.

There can be no assurance as to the position any new administration may take on cannabis and a new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Company and its shareholders. Further, future presidential administrations may want to treat marijuana differently and potentially enforce the federal laws more aggressively.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded common shares. In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

FDA Regulation of Cannabis and Industrial Hemp

Cannabis remains a Schedule I controlled substance under U.S. federal law. If the U.S. federal government reclassifies cannabis to a Schedule II controlled substance, it is possible that the FDA would regulate it under the Food, Drug and Cosmetics Act of 1938 ("FDCA"). The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements and cosmetics, among other products, through its enforcement authority pursuant to the FDCA. The FDA's responsibilities include regulating the ingredients as well as the marketing and labeling of drugs sold in interstate commerce. Because cannabis is federally illegal to produce and sell in the U.S., and because it has no federally recognized medical uses, the FDA has historically deferred enforcement related to cannabis to the United States Drug Enforcement Agency ("DEA"); however, the FDA has enforced the FDCA with regard to dietary supplements and conventional foods containing CBD. The FDA has recently affirmed its authority to regulate CBD derived from both cannabis and industrial hemp, and its intention to develop a framework for regulating the production and sale of CBD derived from industrial hemp. Any regulations imposed by the FDA may hinder the development and growth of the cannabis and industrial hemp industries, which may adversely affect demand for the Company's Affinity™ technology.

State-Imposed Restrictions Regarding the Production of Hemp and Sale of CBD

The Agriculture Improvement Act of 2018 (commonly known as the "2018 Farm Bill") was signed into law on December 20, 2018. The 2018 Farm Bill, among other things, removes "hemp" (including any part of the cannabis plant containing 0.3% THC or less), its extracts, derivatives, and cannabinoids from the Federal CSA definition of "marihuana", and allows for federally-sanctioned hemp production under the purview of the USDA, in coordination with state departments of agriculture that elect to have primary regulatory authority. States and Tribal governments can adopt their own regulatory plans, even if more restrictive than federal regulations, so long as the plans meet minimum federal standards and are approved by the USDA. Accordingly, the production and sale of hemp and hemp products may be limited or restricted in some states. Hemp production in jurisdictions that do not choose to submit their own plans (and that do not otherwise prohibit hemp production) will be governed by USDA regulation.

The USDA has stated that it will not begin approving state regulatory plans until the federal regulations have been promulgated. The USDA expects the federal regulations to be in place in time for the 2020 growing season. The 2018 Farm Bill also precludes states from prohibiting the transportation or shipment of hemp and hemp products that are produced under USDA-approved 2018 Farm Bill hemp programs.

"Hemp" as defined in the 2018 Farm Bill, "means the plant Cannabis sativa L., and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not with a THC concentration of not more than 0.3% on a dry weight basis." While the 2018 Farm Bill removes hemp and hemp-derived products from the controlled substances list under the Federal CSA, it does not legalize CBD in every circumstance. The 2018 Farm Bill does not require states to amend state-controlled substances laws and consequently, states are permitted to continue to classify hemp and/or CBD as a controlled substance under state law. In addition, CBD and other cannabinoids, if derived from marihuana as defined by the Federal CSA, remain a Schedule I substance under federal law.

To date, the vast majority of states have passed legislation related to industrial hemp, and at least forty-one (41) states allow hemp cultivation and production programs. However, state approaches to regulation vary and some states have limited programs or restrictions on certain activity. For example, some states prohibit the sale of CBD products outside of marijuana businesses, while other states prohibit the sale of hemp-derived CBD products altogether. Other states have laws that criminalize all parts of the cannabis plant (including "hemp," as defined under the 2018 Farm Bill) or significantly limit activity related to the cannabis plant (including "hemp," as defined under the 2018 Farm Bill). A number of state laws and regulations, including in major markets such as California, New York, and Ohio, currently contain restrictions limiting the types of hemp-derived products that may be sold and where such products may be sold. Accordingly, this patchwork of state laws may, for the foreseeable future, materially impact the development of the CBD market and demand for the Company's cannabinoid separation technology, which may adversely affect the Company's business and financial condition, and increase legal and compliance costs.

Continued Applicability of the 2014 Farm Bill Pending the Implementation of the 2018 Farm Bill

Section 7606 of the Agricultural Act of 2014 (the "2014 Farm Bill") will remain in effect until one (1) year after the USDA establishes regulations implementing the federal plans pursuant to the 2018 Farm Bill, at which point the 2014 Farm Bill will be repealed. The 2014 Farm Bill permits cultivation of hemp for research purposes (inclusive of market research) pursuant to state agricultural programs but leaves significant discretion to states as to how to implement such programs. In addition, the DEA, FDA and USDA have taken the position, as set forth in 2016 guidance (the "Statement of Principles"), that under the 2014 Farm Bill (i) industrial hemp products may be sold "[f]or purposes of marketing research…but not for the purpose of general commercial activity" and (ii) such products may only be sold within or among states with agricultural pilot programs that allow such activity, but not in states where such sales are prohibited. The Statement of Principles is not legally binding and is widely disputed as invalid by many, including members of Congress, on the grounds that it exceeds DEA's authority and contravenes the intent of the 2014 Farm Bill. Moreover, to date, the Statement of Principles has only been minimally enforced. However, as recently as February 27, 2019, the USDA referenced the Statement of Principles as "additional guidance" that remains applicable to the 2014 Farm Bill.

Because hemp has been removed from the definition of “marijuana" within the Federal CSA, the DEA can no longer assert authority over hemp and hemp products. Additionally, given the passage of the 2018 Farm Bill (which permits the commercial sale of Hemp and Hemp products produced in accordance with the 2018 Farm Bill and precludes states from prohibiting any interstate transportation or shipment of the same), it is also possible that the FDA and USDA will not enforce their position outlined in the Statement of Principles.

Regulatory Compliance Requirements and FDA’s Position on CBD and Certain Other Hemp Products

The 2018 Farm Bill expressly preserves the FDA’s authority to regulate certain products containing cannabis or cannabis-derived compounds under the federal Food, Drug, and Cosmetic Act (“FDCA”). Certain provisions of the FDCA preclude a substance from being considered a food and prohibit a substance from being marketed as a dietary supplement or dietary ingredient if such substance has been approved by the FDA as a new drug, or if such substance has been authorized for investigation as a new drug (“IND”) for which substantial clinical investigations have been instituted and for which the existence of such investigations has been made public (the “Preclusion Rule”). Because CBD was the subject of public drug trials and is the active ingredient in an FDA-approved drug (Epidiolex), the FDA takes the position that it is unlawful under the FDCA to introduce food containing added CBD into interstate commerce, or to market CBD products as, or in, dietary supplements, regardless of whether the substances are hemp-derived. Additionally, the FDA requires a cannabis product (hemp-derived or otherwise) that is marketed with a claim of structure/function therapeutic benefit, or with any other disease claim, and therefore intended for use as a drug, to be approved by the FDA for its intended use before it may be introduced into interstate commerce.

GW Pharmaceuticals’ (“GW”) investigational new drug application for Sativex, a cannabis-derived oral spray, was authorized by the FDA in 2006, likely triggering the Preclusion Rule as applied to dietary supplements, and GW initiated clinical trials in late 2007, triggering the Preclusion Rule as applied to food. Although the IND application and clinical investigations for Sativex predate the initial IND authorization for Epidiolex, Sativex has not yet received final FDA approval. However, on June 25, 2018, the FDA announced its official approval of GW’s application for its new drug, Epidiolex. Epidiolex is a CBD-based oral solution developed for use in the treatment of seizures associated with two rare and severe forms of epilepsy, Lennox-Gastaut syndrome and Dravet syndrome. Although there are other FDA-approved drugs that contain synthetically produced THC, Epidiolex is the first FDA-approved drug that contains a purified drug substance derived from cannabis. Importantly, although substances that were marketed as a conventional food or dietary supplement before the new drug investigations were authorized or commenced are exempt from the Preclusion Rule, the FDA has concluded that, based on available evidence, this is not the case for CBD. Several states, including California, have followed the FDA’s position. Further, many state food and drug laws mirror, or are substantially similar, to the FDCA, and the laws of many states include additional policies or regulations prohibiting the sale of certain hemp and/or CBD products intended for human or animal consumption.

The FDA’s position (as well as those state policies mirroring the FDA’s position) could materially impact the Company’s business and financial condition, limit the accessibility of certain state markets, cause confusion amongst regulators, and increase legal and compliance costs.

In addition, on December 20, 2018, the same day the 2018 Farm Bill was signed into law, FDA Commissioner Scott Gottlieb, M.D., released a statement on the agency’s regulation of products containing cannabis and cannabis-derived compounds. The press release states that, “Congress explicitly preserved the agency’s current authority to regulate products containing cannabis or cannabis-derived compounds under the [FDCA] and section 351 of the Public Health Service Act. In doing so, Congress recognized the agency’s important public health role with respect to all the products it regulates. This allows the FDA to continue enforcing the law to protect patients and the public while also providing potential regulatory pathways for products containing cannabis and cannabis-derived compounds.” The agency also announced that it is exploring pathways to consider whether there are circumstances in which certain cannabis-derived compounds might be permitted in a food or dietary supplement, but reiterated the agency’s long-held position that certain provisions of the FDCA preclude CBD and THC from being used in food products and from being marketed as dietary supplements. Importantly, the FDA has authority to issue a regulation allowing the use of a pharmaceutical ingredient, such as CBD, in a food or dietary supplement, even if such pharmaceutical ingredient was not previously marketed as a food or dietary ingredient prior to the initiation of clinical drug trials. On November 26, 2019, the FDA issued a consumer update with respect to CBD that reiterated that it is illegal to market CBD by adding it to a food or labeling it as a dietary supplement and that some CBD products are being marketed with unproven medical claims and are of unknown quality. The FDA cautioned that CBD has the potential to cause harm, including liver injury, negatively affecting the metabolism of other drugs and causing serious side effects, and that use of CBD with alcohol or other central nervous system depressants increases the risk of sedation and drowsiness, which can lead to injuries. In the consumer update, the FDA noted that it continues to believe the drug approval process represents the best way to ensure that safe and effective new medicines, including any drugs derived from cannabis, are available to patients, and that it is evaluating the regulatory frameworks that apply to non-drug uses of cannabis-derived products.

Failure to comply with the FDCA and applicable state law may result in, among other penalties, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. Further, the Company's advertising is subject to regulation by both the Federal Trade Commission ("FTC") under the Federal Trade Commission Act and the FDA under the FDCA and its regulations, in addition to other potentially applicable law. In recent years, the FTC has initiated numerous investigations of dietary and nutritional supplement products and companies based on allegedly deceptive or misleading claims. At any point, enforcement strategies of a given agency can change as a result of other litigation in the space or

changes in political landscapes, and could result in increased enforcement efforts, which could materially impact the Company's business. Additionally, some states also permit advertising and labeling laws to be enforced by their attorney general, who may seek relief for consumers, class action certifications, class-wide damages and product recalls of products sold by the Company. Any actions against the Company by governmental authorities or private litigants could have a material adverse effect on the Company's business, financial condition and results of operations.

U.S. State Regulatory Uncertainty

The rulemaking process for cannabis operators at the state level in any state will be ongoing and result in frequent changes. As a result, a compliance program is essential to manage regulatory risk. All operating policies and procedures implemented in the operation will be compliance-based and derived from the state regulatory structure governing ancillary cannabis businesses and their relationships to state-licensed or permitted cannabis operators, if any. Notwithstanding the Company's efforts, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming.

In addition, local laws and ordinances could restrict the Company's business activity. Although legal under the laws of the states in which the Company's business will operate, local governments have the ability to limit, restrict, and ban cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances, and similar laws could be adopted or changed, and have a material adverse effect on the Company's business.

The Company is aware that multiple states are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

Access to Banking Services in the United States

In February 2014, the Financial Crimes Enforcement Network ("FinCEN") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis businesses, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the U.S. do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. Further, due to the rescission of the Cole Memo by Attorney General Sessions in January 2018, the guidance issued by FinCEN is now less certain and the Trump administration and/or agencies of the federal government could rescind or modify such guidance at any time.

In addition to the foregoing, banks in the U.S. generally refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited access to banking or other financial services in the U.S., and may have to operate the Company's U.S. business or portions thereof on a cash basis, or rely on obtaining banking services in Canada. The inability or limitation in the Company ability to open or maintain bank accounts in the U.S. or obtain other banking services, may make it difficult for the Company to operate and conduct its business.

Anti-Money Laundering Matters

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), the Criminal Code (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, the Financial Crimes Enforcement Network ('FinCEN') of the U.S. Department of the Treasury issued a memorandum providing instructions to banks seeking to provide services to marijuana related businesses (the FinCEN Memorandum). The FinCEN Memorandum states that in some circumstances, it may not be appropriate to prosecute banks that provide services to cannabis-related businesses for violations of federal money laundering laws. It refers to supplementary guidance that former Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the Federal CSA. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum. Under U.S. federal law, banks or other financial institutions that provide a cannabis-related business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy. While this risk would appear to be diminished because Hemp-related activities that are in compliance with the 2014 and/or 2018 Farm Bill are not in violation of the Federal CSA, there is no certainty that such is the case.

If any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States or Canada were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or

pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on the Company Shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Risk of RICO Prosecution or Civil Liability

The Racketeer Influenced Corrupt Organizations Act ("RICO") criminalizes the use of any profits from certain defined "racketeering" activities in interstate commerce. While intended to provide an additional cause of action against organized crime, due to the fact that cannabis is illegal under U.S. federal law, the production and sale of cannabis qualifies cannabis-related businesses as "racketeering" as defined by RICO. As such, all officers, managers and owners in a cannabis related business could be subject to criminal prosecution under RICO, which carries substantial criminal penalties.

RICO can create civil liability as well: persons harmed in their business or property by actions which would constitute racketeering under RICO often have a civil cause of action against such "racketeers," and can claim triple their amount of estimated damages in attendant court proceedings. The Company as well as its officers, managers and owners could all be subject to civil claims under RICO.

Risk of Civil Asset Forfeiture

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Risks Related to the Regulatory Environment in Canada in Relation to the Business of the Company

Risks Related to the Ability to Trade Securities in Canada
For the reasons set forth above, the Company's existing interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators ("CSA ") and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("TMX MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers possible cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there would be no CDS ban on the clearing of securities of issuers with possible cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of the Issuer Shares to make and settle trades. In particular, the Issuer Shares would become highly illiquid within the US as until an alternative was implemented, investors would have no ability to affect a trade of the issuer Shares through the facilities of a stock exchange.

Shareholders and potential investors are cautioned that:

- The activities of the Company are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the US; and
- Although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future.

Risks Associated from Additional Scrutiny by Canadian Regulators
For the reasons set forth above, the Company's business in the United States may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability operate in the United States.

Increased scrutiny by the Canadian regulators is likely to increase the cost of compliance and may adversely affect the profitability of the business of the Company.

Currency Fluctuations

Due to the Company's present operations in the United States, and its intention to continue future operations outside Canada, the Company is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. All or substantially all of the Company's revenue will be earned in US dollars, but a portion of its operating expenses are incurred in Canadian dollars. The Company does not have currency hedging arrangements in place and there is no expectation that the Company will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the US dollar and the Canadian dollar, may have a material adverse effect on the Company's business, financial position or results of operations.

Canadian Securities Administrators Staff Notice 51-352 (Revised)

The Company is engaged in research in certain states of the United States regarding the applicability of its extraction polymer technology to the extraction of cannabinoids from cannabis products, including marijuana and hemp, for use in the cannabis industry. The Company is not be engaged in the production or sale of cannabis products in Canada or the United States, but may be considered to have ancillary involvement in the cannabis industry in Canada, the United States and other countries, through the provision of extraction technology, if it is successful in developing its extraction polymer technology for the extraction of cannabinoids, and the Company may be considered to have indirect involvement in the cultivation of hemp through its funding relationship with Affinity Farms Inc., an Arkansas company engaged in development of an extraction process designed to extract THC and/or CBD crude oil from raw hemp and concentrates for the further downstream processing and isolation of pure THC and CBD compounds, if Affinity Farms is successful in establishing a hemp cultivation business.

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – Issuers with U.S. Marijuana-Related Activities ("Staff Notice 51-352"), the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis or marijuana regulation. Any non-compliance, citations or notices of violation which may have an impact on the Company's business activities or operations will be promptly disclosed by the Company. Below is a table of concordance that addresses the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Listing Statement Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	*See Listing Statement Section 3.3 – Trends Commitments, Events or Uncertainties* *See Listing Statement Section 4 – Narrative Description of the Business*
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	*See Above*
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	*See Listing Statement Section 3.3 – Trends, Commitments, Events or Uncertainties – Regulation of Cannabis in the United States Federally* *See above – Cannabis remains illegal under U.S. federal law* *See above – Federal regulation of marijuana in the United States*
	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	*See above – Access to Banking Services in the United States* *See above – U.S. state regulatory uncertainty* *See above – Anti-Money Laundering Matters* *See above – Risks Related to the Regulatory Environment in*

		Canada in Relation to the Business of the Company *See above – Risk of civil asset forfeiture*
	Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	*See Liquidity and Capital Resources above.* *See Listing Statement Section 4.2 – Narrative Description of the Business – Ability to Access Public and Private Capital* *See above – Access to Banking Services in the United States*
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	The Company estimates that 3.58% of its balance sheet as of May 31, 2020 relates to its marijuana related business. The Company has no marijuana related revenue.
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	The Company has received legal advice from U.S. attorneys regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law. The Company and its U.S. counsel continue to monitor compliance very carefully.
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	N/A
	Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer's licence, business activities or operations.	N/A
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	*See Listing Statement Section 3.3 – Trends, Commitments, Events or Uncertainties* *See above – U.S. state regulatory uncertainty*
	Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's licence, business activities or operations.	*See Listing Statement Section 3.3 – Trends, Commitments, Events or Uncertainties – "The Company's Regulatory Compliance Activities"*

U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	*See Listing Statement Section 3.3 – Trends, Commitments, Events or Uncertainties – "The Company's Regulatory Compliance Activities"*

OTHER INFORMATION

Additional information relating to the Company can be found on the Company's website at www.sixthwave.com or on SEDAR at www.sedar.com

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

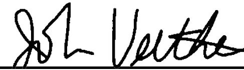
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated July 30, 2020.

John Veltheer
Name of Director or Senior Officer



Signature

CFO & Director
Official Capacity

Issuer Details Name of Issuer Sixth Wave Innovations Inc.	For Quarter Ended May 31, 2020	Date of Report YY/MM/DD 07/30/2020
Issuer Address Suite 830-1100 Melville Street		
City/Province/Postal Code Vancouver, BC, V6E 4A6	Issuer Fax No. (902)942-0197	Issuer Telephone No. (604)562-6915
Contact Name John Veltheer	Contact Position CFO	Contact Telephone No. (604)562-6915
Contact Email Address jveltheer@sixthwwave.com	Web Site Address www.sixthwave.com	