

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.

The Financial Statements of the issuer are attached hereto as Schedule A

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:

Please refer to the Financial Statements (Related Party Transactions, Note 18) attached as Schedule A.

- (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.

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):

Please refer to the Financial Statements (Note 17) attached as Schedule A.

- (a) summary of securities issued during the period,

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,

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:

Please refer to the Financial Statements (Condensed Interim Consolidated Statement of Changes in Shareholder's Equity, and Note 17) attached as Schedule A.

- (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,
- (b) number and recorded value for shares issued and outstanding,
- (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

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

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, David Fransen, Sokhie Puar, Patricia Steadman and Sherman McGill

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

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

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

The Management Discussion and Analysis of the Issuer is attached hereto as Schedule C

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 31, 2023.

Jonathan Gluckman
Name of Director or Senior Officer

"Jonathan Gluckman"
Signature

CEO
Official Capacity

Issuer Details Name of Issuer		For Quarter Ended	Date of Report YY/MM/DD
Sixth Wave Innovations Inc.		May 31, 2023	23/07/31
Issuer Address Suite 110 – 210 Waterfront Drive			
City/Province/Postal Code Bedford, NS, B4A 0H3		Issuer Fax No. (902)942-0197	Issuer Telephone No. (902)835-0403
Contact Name Jonathan Gluckman		Contact Position CEO	Contact Telephone No. (902)835-0403
Contact Email Address jon@sixthwwave.com		Web Site Address www.sixthwave.com	

Schedule "A"
Financial Statements
[see attached]



Sixth Wave Innovations Inc.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months ended May 31, 2023 and 2022

(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 November 30, 2022, the audited statement of financial position as at August 31, 2022 and the unaudited condensed interim consolidated statements of comprehensive loss, changes in shareholder's equity and cash flows for the three and nine month period ended May 31, 2023 and May 31, 2022. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the May 31, 2023 condensed interim consolidated financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

SIXTH WAVE INNOVATIONS INC.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars) (Unaudited)

AS AT

	Note	May 31, 2023	August 31, 2022
ASSETS			
Current assets			
Cash		\$ 16,432	\$ 12,659
Receivables	5	7,179	9,978
Prepaid expenses and other	6	131,802	155,043
Financial assets at fair value through the profit and loss	7	-	228,237
Total current assets		155,413	405,917
Non-current assets			
Financial assets at fair value through the profit and loss	7	-	171,178
Property and equipment	8	214,611	253,339
Right-of-use asset	9	-	39,442
Intangible assets	10	863,277	1,177,993
Total non-current assets		1,077,888	1,641,952
TOTAL ASSETS		\$ 1,233,301	\$ 2,047,869
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	18	\$ 3,126,617	\$ 2,081,597
Current portion of lease liability	12	-	49,015
Short term loan	14	1,244,085	332,642
Deferred salary loans	15	148,603	141,720
Convertible debentures	13	2,106,575	1,083,652
Total current liabilities		6,625,880	3,688,626
Non-current liabilities			
Deferred salary loans	15	131,009	126,198
Convertible debentures	13	175,869	913,768
Warrant liability	16	9,931	36,973
Total non-current liabilities		316,809	1,076,939
TOTAL LIABILITIES		\$ 6,942,689	\$ 4,765,565
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	17	57,107,211	57,062,793
Reserves	17	6,563,427	6,381,853
Subscription received		30,800	-
Equity component of convertible debentures	13	417,179	417,179
Convertible notes	17(f)	136,935	136,935
Accumulated deficit		(69,964,940)	(66,716,456)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		\$ (5,709,388)	\$ (2,717,696)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		\$ 1,233,301	\$ 2,047,869

Nature of continuance of operations (note 1)

Going concern (note 2)

Commitments (note 21)

On behalf of the Board of Directors July 28, 2023*(s) Jonathan Gluckman***Jonathan Gluckman, Director***(s) Sokhie Puar***Sokhie Puar, Director**

The accompanying notes form an integral part of these Consolidated financial statements.

SIXTH WAVE INNOVATIONS INC.

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars) (Unaudited)

	Note	Three months ended May 31, 2023	Three months ended May 31, 2022	Nine months ended May 31, 2023	Nine months ended May 31, 2022
EXPENSES					
Amortization	8, 9, and 10	\$ 117,860	\$ 141,594	\$ 392,885	\$ 455,659
Advertising and promotion		16,451	22,136	47,691	408,618
Financing fee		-	-	31,520	-
Management and consulting	18	351,177	557,571	1,207,224	2,004,515
Office and miscellaneous		33,604	37,642	111,817	106,047
Professional fees		43,129	88,253	275,976	393,407
Rent expense		41,162	-	68,784	5,360
Regulatory and filing fees		18,096	28,959	53,102	124,399
Share based compensation	18 and 17	32,201	118,074	181,574	387,516
Research and development		196,388	240,001	267,286	856,182
Travel and related		2,537	1,669	7,559	5,025
Loss before other items		(852,605)	(1,235,899)	(2,645,418)	(4,746,728)
Gain on share interest payment		9,660	-	111,702	36,772
Loss on sale of property		-	(39,433)	-	39,433
Other income		95,000	50,000	95,000	100,000
Interest expense		(180,385)	(138,301)	(478,286)	(399,721)
Foreign exchange gain (loss)		31,765	(8,001)	(55,201)	(36,620)
Unrealized gain on warrant liability	17	-	803,353	27,042	803,353
Unrealized loss on equity swap agreement	7	-	-	(320,630)	(1,323,677)
Realized loss on equity swap agreement	7	20,095	(30,813)	17,307	(30,813)
Net loss and comprehensive loss for the year		\$ (876,470)	\$ (599,094)	\$ (3,248,484)	\$ (5,636,867)
Basic and diluted loss per common share		\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.05)
Basic and diluted weighted average number of common shares outstanding		136,855,453	104,508,707	136,200,603	117,307,988

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

SIXTH WAVE INNOVATIONS INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian dollars) (Unaudited)

	Number of shares	Amount (\$)	Reserves (\$)	Equity Component of Convertible Debentures (\$)	Convertible Notes (\$)	Subscriptions Received (\$)	Accumulated Deficit (\$)	Total (\$)
Balance at August 31, 2021	117,307,988	54,140,553	5,883,740	417,179	-	-	(57,885,465)	2,556,007
Shares issued on financing (net of share issuance costs) (note 17)	5,160,000	987,159						987,159
Shares issued for payment of interest on convertible debentures (note 17)	383,943	76,789						76,789
Issuance of broker warrants			18,351					18,351
Share based payments	-	-	269,442	-	-	-	-	269,442
Net loss for the year	-	-	-	-	-	-	(3,708,736)	(3,708,736)
Balance at May 31, 2022	122,851,931	55,204,501	6,171,533	417,179	-	-	(61,594,201)	199,012
Balance at August 31, 2022	135,429,586	57,062,793	6,381,853	417,179	136,935	-	(66,716,456)	(2,717,696)
Shares issued for payment of interest on convertible debentures (note 17)	383,943	11,518	-	-	-	-	-	11,518
Shares issued on refinancing of short term loan (note 14)	880,000	32,900						32,900
Subscriptions received	-	-	-	-	-	30,800	-	30,800
Share based payments (note 17)	-	-	181,574	-	-	-	-	181,574
Net loss for the year	-	-	-	-	-	-	(3,248,484)	(3,248,484)
Balance at May 31, 2023	136,693,529	57,107,211	6,563,427	417,179	136,935	30,800	(69,964,940)	(5,709,388)

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

SIXTH WAVE INNOVATIONS INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars) (Unaudited)

	Note	Nine months ended May 31, 2023	Nine months ended May 31, 2022
CASH FLOWS USED BY OPERATING ACTIVITIES			
Net loss for the year		(3,248,484)	(5,636,867)
Adjustments for items not involving cash:			
Amortization	8, 9, and 10	392,885	455,659
Share-based compensation	17	181,574	387,516
Accretion expense		229,442	210,540
Financing fee		31,520	-
Realized loss on swap		(17,307)	-
Accrued interest expense		-	17,371
Loss on disposal of property		-	39,433
Unrealized loss on equity swap agreement	7	320,630	1,323,677
Unrealized gain on warrant liability	16	(27,042)	(803,353)
Unrealized foreign exchange		6,066	10,399
		(2,242,418)	(3,995,625)
Change in non-cash operating working capital items:			
Accounts receivable		2,799	8,200
Accounts payable and accrued liabilities		1,184,768	1,269,768
Prepaid expenses and other		23,241	486,993
Net cash used in operating activities		(1,031,610)	(2,230,664)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds on issuance of shares (net of costs)	17	1,380	974,137
Share subscription received		30,800	
Proceeds from issuance of convertible debentures	13	-	-
Receipts from settlement of equity swap	7	153,245	200,000
Proceeds from short term loan	14	911,443	254,575
Repayment of short term loan	14	-	(254,575)
Repayment of deferred salary loans	15	(10,002)	(62,601)
Repayment of convertible promissory note		-	-
Issuance of common shares on exercise of options		-	-
Government grant		-	-
Lease liability payments	12	(51,483)	(117,048)
Net cash provided by financing activities		1,035,383	994,488
CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES			
Purchase of equipment		-	(80,000)
Proceeds on disposal of property		-	274,306
Net cash (used in) provided by investing activities		-	194,306
Change in cash during the period		3,773	(1,041,870)
Cash, beginning of the period		12,659	1,068,054
Cash, end of the period		16,432	26,184

Supplemental disclosure with respect to cash flows (note 19)

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

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

May 31, 2023

1. Nature and continuance of operations

Sixth Wave Innovations 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 and the Merged closed on January 31, 2020. The Company was incorporated under the Business Corporations Act (BC) on June 6, 2007. The head office of the Company is located at Suite 110 - 210 Waterfront Dr., Bedford, Nova Scotia B4A 0H3. 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").

Effective April 13, 2021, through a series of transactions, the Company acquired 100% of the outstanding common shares of Geolithic Corp.

2. Going concern

These 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. During the period ended May 31, 2023, the Company incurred a loss of \$3,248,484 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. The material uncertainties related to events and conditions mentioned may cast significant doubt upon the Company's ability to continue as a going concern. These 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.

Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these financial statements, these conditions could have a significant adverse impact on the Company's financial position and results of operations for future periods.

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 34, Interim Financial Reporting using the same accounting policies and methods of application as the audited annual consolidated financial statements of the Company for the year ended August 31, 2022, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), except as noted below. Accordingly, certain information and footnote disclosure normally included in annual financial statements have been omitted or condensed.

The Company's management makes judgements in its process of applying the Company's accounting policies in the preparation of these condensed interim consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management makes assumptions and estimates of the impacts of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

In preparing the Company's condensed interim consolidated financial statements for the nine months ended May 31, 2023, the Company applied the critical judgements and estimates disclosed in Note 3 of its consolidated financial statements for the year ended August 31, 2022. These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended August 31, 2022.

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

May 31, 2023

4. 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, 2023, or the year ended August 31, 2022.

5. Receivables

As at May 31, 2023, \$7,179 (August 31, 2022 - \$9,978) is comprised of Goods and Services Tax / Harmonized Sales Tax ("GST") due from government taxation authorities.

6. Prepaids

As at May 31, 2023 and August 31, 2022, the majority of the Company's prepaid expenses are related to deposits and insurance premium advances.

7. Financial assets at fair value through profit and loss

	May 2023	August 2022
Financial assets at fair value through profit and loss		
- Current	\$ -	\$ 228,237
- Non-current	-	171,178
Total	\$ -	\$ 399,415
Opening balance	\$ 399,415	\$ -
At acquisition	-	2,420,150
Cash received on monthly swap settlements to date	(153,244)	(376,818)
Realized gain(loss) on settlement received to date	17,307	(205,000)
Unrealized loss – financial assets at fair value	(263,477)	(1,438,917)
	\$ -	\$ 399,415

Effective March 29, 2022, the Company entered into series of agreements with a third party; Sorbie Bornholm LP (Sorbie), whereby the following transactions resulted:

- i. The Company issued 1,104 unsecured convertible notes of \$1,000 each and totaled \$1,104,000, convertible at maturity in two years into common shares at \$0.12 per share.
- ii. The Company issued 12,200,000 Units consisting of one common share and one-half common share purchase warrant, with each warrant entitling the holder to purchase one additional common share.
- iii. In connection with the convertible notes and the Units, the Company issued a total of 10,700,368 warrants exercisable at a price of \$0.175 per share for the first two years, and at \$0.20 in the third year. Of the total warrants, 4,600,368 warrants are compensation warrants in connection with the convertible note.

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

May 31, 2023

7. Financial assets at fair value through profit and loss (continued)

- iv. Equity sharing agreement (equity swaps) whereby the net proceeds of the transaction and the 12.2 million shares were put into an escrow account, to be released based on a predetermined schedule. The equity swaps settle on a monthly basis over 24 months, and commenced on May 6, 2022, with one swap settling each month. The monthly settlement amount payable to the Company by the counter-party is determined by an independent settlement agent with the amount due calculated via reference to the average of the volume weighted average price of the Company's shares as traded on the Canadian Securities Exchange for the twenty days preceding the settlement date ("VWAP"), compared to the benchmark price of \$0.16. Each one cent difference between the VWAP and the benchmark price results in a \$28,409 per month premium or discount to the amount to be received by the Company for the swap at settlement. If the Company's share price is to exceed the base price of \$0.16 the payments will increase to reflect the increase in share price, however, if the share prices fall below the based prices, the proceeds are adjusted for the decline and the Sorbie retains the difference of the scheduled payments and the calculated payments. During the period, the company received \$129,556 of the cash held in escrow and realized a loss of \$2,788 based on the terms of the agreement and the Company's share price.
- v. On March 29, 2022, the total 12.2 million shares were issued by the Company and released in line with the schedule.

The above transactions resulted in the following assets and liabilities:

- a. Financial asset at fair value through profit and loss which is the value of the subscriptions or cash proceeds expected to be received under the terms of the arrangements. This was recognized at relative fair value at the inception date and subsequently remeasured each reporting period to fair value. At the year end the Company recorded and unrealized loss as a result of the measurement of the asset. This is a Level 3 financial instrument.
- b. Convertible debenture – liability which is recognized at relative fair value at the inception date and subsequently remeasured each reporting period to fair value as fair value through profit and loss liability. At the year end the Company recorded and unrealized loss as a result of the measurement of the liability. This is a Level 3 financial instrument.
- c. Warrant liability was recognized at relative fair value at the inception date and subsequently remeasured each reporting period to fair value as fair value through profit and loss liability. At the year end the Company recorded and unrealized gain as a result of the measurement of the warrant liability. This is a Level 3 financial instrument.

The unrealized loss of the items are recorded in the consolidated statement of loss and total \$320,630 (2022: \$1,196,173).

- d. Share issued and the Convertible debenture – equity portion were recognized at the relative fair value at the inception date and not remeasured.

The financial asset at fair value through profit and loss, the warrant liability, and the convertible debenture – liability was valued using the Monte Carlo simulation with 250 steps for each instrument, where the share price was projected at various points in the model. The method was chosen because the variation of terms with key inputs at the year-end as follows, all; other significant inputs such as term, or life of the warrant were based on the contract terms

Key inputs	Fair value through profit and loss	Warrant liability	Convertible debenture – liability
Volatility	97.48%	125.28%	40%

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

May 31, 2023

8. Property and equipment

	Office equipment	Furniture and fixtures	Research equipment	Land	Buildings	Total
Costs						
Balance, August 31, 2021	\$ 22,716	\$ 1,460	\$ 368,958	\$ 134,725	\$ 179,013	\$ 706,872
Additions	-	-	80,000	-	-	80,000
Disposal	-	-	-	(134,725)	(179,013)	(313,738)
Balance, August 31, 2022	22,716	1,460	448,958	-	-	473,134
Additions	-	-	-	-	-	-
Balance, May 31, 2023	22,716	1,460	448,958	-	-	473,134
Accumulated amortization						
As at August 31, 2021	\$ 8,730	\$ 602	\$ 140,592	\$ -	\$ -	\$ 149,924
Amortization	3,986	244	65,641	-	-	69,871
As at August 31, 2022	12,716	846	206,233	-	-	219,795
Amortization	2,215	136	36,376	-	-	38,727
As at May 31, 2023	14,931	982	242,609	-	-	258,522
Net book value						
Balance, August 31, 2022	\$ 10,000	\$ 614	\$ 242,725	\$ -	\$ -	\$ 253,339
Balance, May 31, 2023	\$ 7,785	\$ 478	\$ 206,349	\$ -	\$ -	\$ 214,612

9. Right-of-use asset

The Company recognized a right of use assets with respect to 6WIC's office 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:

Costs	
As at August 31, 2021	\$ 345,125
Additions	-
As at August 31, 2022	\$ 345,125
Additions	-
As at May 31, 2023	\$ 345,125
Accumulated amortization	
As at August 31, 2021	\$ 187,353
Change for the year	118,328
As at August 31, 2022	\$ 305,683
Change for the period	39,442
As at May 31, 2023	\$ 345,125
Net book value	
As at August 31, 2022	\$ 39,442
As at May 31, 2023	\$ -

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

10. Intangible assets

The Company has determined the fair value of the intellectual property acquired in connection with the acquisition of 6WIC, to be \$2,098,105. The Company has determined the fair value of the intellectual property acquired in connection with the acquisition of Geolithic, to be \$140,628. A summary of the Company's intangible assets is provided below:

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

May 31, 2023

10. Intangible assets (continued)

	Intellectual property (acquisition of Geolithic)	Intellectual property (acquisition of 6WIC)	Website domains	Total
Costs				
Balance, August 31, 2021	\$ 140,628	\$ 2,098,105	\$ 23,281	\$ 2,262,014
Additions	-	-	-	-
Balance, August 31, 2022	140,628	2,098,105	23,281	2,262,014
Additions	-	-	-	-
Balance, May 31, 2023	140,628	2,098,105	23,281	2,262,014
Accumulated amortization				
Balance, August 31, 2021	\$ -	\$ 664,400	\$ -	\$ 664,400
Amortization	-	419,621	-	419,621
Balance, August 31, 2022	-	1,084,021	-	1,084,021
Amortization	-	314,716	-	314,716
Balance, May 31, 2023	-	1,398,737	-	1,398,737
Net book value				
Balance, August 31, 2022	\$ 140,628	\$ 1,014,084	\$ 23,281	\$ 1,177,993
Balance, May 31, 2023	\$ 140,628	\$ 699,368	\$ 23,281	\$ 863,277

Amortization on the intellectual property acquired from 6WIC is calculated using the straight-line method over the estimated life of the intellectual property of 5 years. Amortization on the intellectual property acquired from Geolithic will commence once the technology is available for commercial production.

11. Goodwill

The Company's goodwill represents the excess of the purchase paid for the acquisition of 6WIC over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. The Company has determined that its Cash Generation Unit ("CGU") with goodwill is 6WIC and the IXOS project only. The annual impairment test date is August 31.

The Company's annual goodwill impairment analysis performed during the fourth quarter of fiscal 2021 included a quantitative analysis of the 6WIC CGU. The impairment analysis led to the conclusion that the recoverable amount of the 6WIC CGU was less than their carrying values, primarily driven by current market conditions and delays in progressing projects due to COVID. Accordingly, the carrying value of the goodwill was impaired by \$7,188,856.

For the purpose of impairment testing, the carrying amount of the asset or CGU is compared to the recoverable amount of the asset or CGU. The recoverable amount of the 6WIC CGU was determined based on fair value less costs of disposal, covering a five-year forecast, followed by an extrapolation of expected cash flows for the terminal period. The present value of the expected cash flows of the CGU were determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the CGU. The fair value calculation is a Level 3 in the fair value hierarchy. Key assumptions utilized in the determination of the recoverable amount, and to which the recoverable amount is most sensitive, included projected growth in revenue which varies in the five-year period and anticipated gross margin rate of 60% throughout the projection period. Projected cash flows were discounted using a discount rate of 23.8%.

Management's key assumptions include stable gross profit margins, based on past experience in the market. The Company's management believes that this is the best available input for forecasting. Cash flow projections reflect stable gross profit margins achieved immediately before the forecast period. No expected efficiency improvements have been taken into account and prices and wages reflect forecasts of inflation for the industry. There is significant estimation uncertainty involved in the determination of the recoverable amount of the CGU.

The following table reconciles the changes attributable to goodwill:

Balance, August 31, 2021	\$ 1,050,000
Additions	-
Impairment	1,050,000
Balance, August 31, 2022	\$ -
Additions	-
Impairment	-
Balance, May 31, 2023	\$ -

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

May 31, 2023

12. Lease liability

The Company recognized a lease obligation with respect to 6WIC's office 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:

	August 31, 2022	Additions	Interest accretion	Interest payments	Principal payments	Foreign exchange	Current portion	May 31, 2023
Office lease liability	\$ 49,315	-	1,566	(1,566)	(49,813)	798	-	\$ -

	August 31, 2021	Additions	Interest accretion	Interest payments	Principal payments	Foreign exchange	Current portion	August 31, 2022
Office lease liability	\$ 174,320	-	17,630	(17,630)	(126,724)	1,419	(49,015)	\$ -

13. Convertible debentures

August 22, 2020 and August 31, 2020 Issuance

On August 22 and 31, 2020, the Company closed the sale of 742 unsecured convertible debenture units for gross proceeds of \$682,000 and settlement of outstanding balances of \$60,000. Each debenture unit consists of: (i) \$1,000 principal amount and (ii) 1,000 common share purchase warrants. At the Company's election, interest on the convertible debentures can be paid in either cash or common shares of the Company at a rate of 7.5% if paid in cash or 10% if paid in common shares. Interest is payable semi-annually on the last day of June and December of each year, commencing on December 31, 2020. At any time prior to maturity, the debentures can be converted to units at the option of the holders at a conversion price of \$0.35 per unit. Each unit consists of one common share of the Company plus one common share purchase warrant, with each warrant giving the holder the right to acquire one common share of the Company at a strike price of \$0.55. The common share purchase warrants to be issued upon the conversion of the debt will expire on the maturity date of the convertible debentures.

Each debenture holder was paid a one-time commitment fee comprised of commitment warrants. Each commitment warrant gives the holder the right to acquire one common share of the Company with each whole warrant giving the holder the right to acquire one common share of the Company at a strike price of \$0.35 per common share for a period of 24 months. The debentures carry a term of three years. During the third year of the term, the Company shall have the option to extend the term by up to one additional year. If extended, the Company shall pay a cash extension fee to the holders of convertible debentures in the amount of six months of interest (at the rate of 7.5% per annum). The Company issued a total of 111,300 commitment warrants.

In the event that the Company's common shares trade at a closing price of \$0.75 or more on the Canadian Securities Exchange for 10 consecutive trading days, the outstanding principal amount of each convertible debenture will automatically be converted into units.

For accounting purposes, the convertible debentures are compound instruments and the proceeds are required to be separated into their liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the convertible debentures assuming a 15% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity component was determined at the time of issue as the difference between the face value of the convertible debentures and the fair value of the liability component. The fair value of the liability component is \$487,877 and the equity component is \$242,453 of which \$110,052 was allocated to reserves to account for the warrants contained within the units.

The commitment warrants have a combined fair value of \$10,881 estimated using the Black-Scholes option pricing model with a volatility of 98%, risk-free interest rate of 0.28%, dividend rate of 0% and expected life of 2 years.

In connection with the closing of the convertible debentures the Company also issued a total of 148,400 finders' warrants in two tranches. The first tranche of finders' warrants issued has a fair value of \$17,532 estimated using the Black-Scholes option pricing model with a volatility of 98%, risk-free interest rate of 0.28%, dividend rate of 0% and expected life of 3 years. The second tranche of finders' warrants issued had a fair value of \$5,661 estimated using the Black-Scholes option pricing model with a volatility of 97%, risk-free interest rate of 0.29%, dividend rate of 0% and expected life of 3 years.

Transaction costs totaled \$34,074, of which \$22,404 was allocated to the liability component, and offset the carrying value and are amortized using the effective interest method as finance costs over the expected life of the debentures. Transaction costs of \$6,373 was charged to the equity component and \$5,297 was charged to the warrant component.

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

May 31, 2023

13. Convertible debentures (continued)

December 18, 2020, December 21, 2020, December 22, 2020 and December 30, 2020 Issuance

On December 18, 21, 22, and 30 2020, the Company closed the sale of 1,523 unsecured convertible debenture units for gross proceeds of \$1,113,000 and settlement of outstanding balances of \$60,000 and \$350,000 to settle the remaining amount owed to Affinity Nanotechnology Inc. Each debenture unit consists of: (i) \$1,000 principal amount and (ii) 1,000 common share purchase warrants. At the Company's election interest on the convertible debentures can be paid in either cash or common shares of the Company at a rate of 7.5% if paid in cash or 10% if paid in common shares. Interest is payable semi-annually on the last day of June and December of year commencing on June 30, 2021. At any time prior to maturity, the debentures can be converted to units at the option of the holders at a conversion price of \$0.275 per unit. Each unit consist of one common share of the Company plus one common share purchase warrant, with each warrant giving the holder the right to acquire one common share of the Company at a strike price of \$0.55. The common share purchase warrants to be issued upon the conversion of the debt will expire on the maturity date of the convertible debentures.

Each debenture holder was paid a one-time commitment fee comprised of commitment warrants. Each commitment warrant gives the holder the right to acquire one common share of the Company with each whole warrant giving the holder the right to acquire one common share of the Company at a strike price of \$0.55 per common share for a period of 24 months. The debentures carry a term of three years. During the third year of the term, the Company shall have the option to extend the term by up to one additional year. If extended, the Company shall pay a cash extension fee to the holders of convertible debentures in the amount of nine months of interest (at the rate of 7.5% per annum). The Company issued a total of 228,450 commitment warrants.

In the event that the Company's common shares trade at a closing price of \$0.65 or more on the Canadian Securities Exchange for 10 consecutive trading days, the outstanding principal amount of each convertible debenture will automatically be converted into units.

For accounting purposes, the convertible debentures are compound instruments and the proceeds are required to be separated into their liability and equity components by first valuing the liability component. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the convertible debentures assuming a 15% discount rate, which was the estimated rate for a similar debenture without a conversion feature. The fair value of the equity component was determined at the time of issue as the difference between the face value of the convertible debentures and the fair value of the liability component. The fair value of the liability component is \$963,664 and the equity component is \$501,949 of which \$217,171 was allocated to reserves to account for the warrants contained within the units.

The commitment warrants have a combined fair value of \$31,634 estimated using the Black-Scholes option pricing model with a volatility of 110.17%, risk-free interest rate ranging from 0.20% to 0.24%, dividend rate of 0% and expected life of 2 years.

In connection with the closing of the convertible debentures the Company also issued a total of 141,272 finders' warrants in two tranches. The finder's warrants issued has a fair value of \$25,753 estimated using the Black-Scholes option pricing model with a volatility of 94.47%, risk-free interest rate of 0.25%, dividend rate of 0% and expected life of 3 years.

Transaction costs totaled \$57,387, of which \$37,733 was allocated to the liability component, and offset the carrying value and are amortized using the effective interest method as finance costs over the expected life of the debentures. Transaction costs of \$11,151 was charged to the equity component and \$8,503 was charged to the warrant component.

March 29, 2022 Issuance

On March 29, 2022, 1,104 Convertible Loan Notes in the principal amount of \$1,000 per note, bearing an interest rate of 1% per annum. Each note is convertible into 8,333 common shares for a period of 24 months from the date of issuance. Conversion of the notes is limited to only when shares issued combined with the then current holdings of the holder will not take the holder above 9.9% ownership of the Company. Since the notes are to be settled in shares, the units are treated as equity. In addition, 4,600,368 Common share purchase warrants were issued, each warrant entitling the holder to purchase one additional common share at an exercise price of \$0.175 in Year 1 and 2 and \$0.20 in Year 3 after the date issuance.

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

May 31, 2023

13. Convertible debentures (continued)

Interest and accretion expense for the period ended May 31, 2023 was \$227,871 (2022 - \$62,763). The following table reconciles the changes attributable to the Company's convertible debentures:

	May 31, 2023	August 31, 2022
Opening balance	\$ 1,997,420	\$ 1,612,023
Additions	-	202,713
Warrant component	-	-
Equity component	-	(83,997)
Fair Value adjustment	57,153	-
Interest and accretion	227,871	266,681
Closing balance	\$ 2,282,444	\$ 1,997,420

During the year, the Company settled certain interest owing on the convertible of \$113,560 (2022 - \$226,483) by the issuance of 383,943 (2022 - 761,598) common shares of the Company with a fair value of \$11,518 (2022 - \$95,671) resulting in a gain on share interest payment recorded on the consolidated statement of loss for \$102,042 (2022 - \$129,588).

14. Short term loan*Orca Holdings, LLC*

On June 16, 2022, the Company secured a bridge loan in the amount of \$291,509 (US\$225,000) from Orca Holdings, LLC. The bridge loan is interest free and was repayable on July 22, 2022. The loan was extended to September 30, 2022.

On September 13, 2022, the Company secured an additional bridge loan in the amount of \$131,667 (US\$100,000) from Orca Holdings, LLC. The loan is interest free and secured by the royalty fee earned on a future Affinity licensing agreement. The agreement extended all current loans from Orca maturity date to October 31, 2022. The maturity date was further extended to October 25, 2023.

On October 25, 2022, the Company secured an additional bridge loan in the amount of \$203,572 (US\$150,000) from Orca Holdings, LLC. The bridge loan bears interest at 10% and is repayable on October 25, 2023.

On November 15, 2022, the Company secured a secured promissory note in the aggregate principal amount of up to US\$612,500. The Note bears interest at 10% per annum and matures on October 25, 2023. The Note will be secured against the assets of the Company pursuant to a general security agreement. The existing debt with this creditor will be consolidated under the Note and the creditor made an additional \$166,881 (US\$125,000) to the Company which was advanced on November 18, 2022. As additional consideration for the issuance of the Note, the Company issued 788,000 Shares to the creditor and all existing options held by this creditor will vest immediately.

On December 22, 2022, the Company secured an additional draw on the secured promissory note of \$204,500 (US\$150,000) to increase the total drawn of US\$762,500.

In April 2023, the Company secured an additional draw on the secured promissory note of US\$40,000 to increase the total drawn of US\$802,500.

In May 2023, the Company secured an additional draw on the secured promissory note of US\$100,000 to increase the total drawn of US\$902,500. The maturity date of the Note was amended to May 31, 2024.

In connection with the above and the amendments, the Company issued a total of 1,050,000 options. The value of these options were determined using the Black Scholes model with the key inputs included in note 17 and expensed in the consolidated statement of loss.

Promissory Note

On June 2, 2022, a shareholder and Director of the Company advanced the Company \$16,133 (US\$13,100). The Note is interest free and repayable on July 31, 2022. On August 1, 2022, the note was extended to December 31, 2022 and bears interest at 10% per annum. As of May 31, 2023, the loan remains outstanding and accruing interest.

Shareholder Loans

On June 1, 2022, a shareholder advanced the Company \$10,000, interest free. The loan is interest free with no stated repayment date.

On August 30, 2022 another Shareholder advanced the Company \$15,000. The loan is interest free with no stated repayment date.

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

May 31, 2023

15. Deferred salary loans

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. The deferred salary loans accrue interest at a rate of 0.667% compounded monthly and be repaid over 24 months at various payment amounts.

On April 8, 2021, the Company re-negotiated debt owing in the amount of \$420,421 (\$333,218 USD). A total of \$210,211 (\$166,609 USD) has been settled by the issuance of 667,335 common shares of the Company with a fair value of \$293,628 resulting in a loss on settlement of \$93,427 (including a one-time charge of \$10,010). A total of \$107,796 (\$83,304 USD) has been repaid. The remaining amount owing of will accrue interest at a rate of 0.667% compounded monthly and is to be repaid in September 2022.

On April 30, 2021, the Company re-negotiated debt owing in the amount of \$207,119 (\$168,451 USD). The Company extended the maturity date of the debt from January 31, 2021 to October 31, 2025. The balance will accrue interest a rate of 0.667% compounded monthly.

On July 2, 2021, the Company settled debt owing in the amount of \$1,043,416 (\$842,028 USD) by the issuance of 3,764,386 common shares of the Company with a fair value of \$1,091,672.

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

	May 31, 2023	August 31, 2022
Opening balance	\$ 267,918	\$ 309,025
Principal and interest repayments	(10,002)	(74,275)
Foreign exchange	5,168	10,503
Interest	16,528	22,666
Settled	-	-
Current portion	(128,315)	(141,720)
Closing balance	\$ 151,297	\$ 126,198

16. Warrant Liability

In connection with the transaction details in note 7 and completed during the year ended August 31, 2022, the Company issued a total of 6,100,000 warrants exercisable at a price of \$0.175 per share for the first two years, and at \$0.20 in the third year. These warrants were assigned a relative fair value of \$108,092 using the Monte Carlo simulation model. As at May 31, 2023, there were 6,100,000 of these warrants remaining. (note 17a)

In addition, the Company also issued a total of 4,600,368 compensation warrants exercisable at a price of CDN\$0.175 per share for the first two years, and at \$0.20 in the third year. These warrants were assigned a fair value of \$81,518 using the Monte Carlo Simulation model. As at May 31, 2023, there were 4,600,368 of these warrants remaining. (note 17e).

The fair value allocated to the remaining warrants at May 31, 2023 was \$9,931 (August 31, 2022 - \$36,973) and is recorded as a derivative financial liability as these warrants are exercisable at different rates over the term of the warrants. The change in fair value resulted in a gain and is recognized in the consolidated statement of loss. The key inputs are included in note 7.

17. 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, 2023, there were 136,693,529 issued and fully paid common shares and nil preferred shares issued.

As at August 31, 2022, there were 135,429,586 issued and fully paid common shares and nil preferred shares issued.

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

May 31, 2023

17. Share capital (continued)*Changes in share capital during the period ended May 31, 2023 and year ended August 31, 2022:*

On December 23, 2021, the Company issued 5,160,000 Units at a price of \$0.20 per unit for gross proceeds totaling \$1,032,000. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one additional common share at an exercise price of \$0.35 for a period of 24 months after the date hereof. In connection with the financing, the Company paid finders fees in the aggregate amount of \$40,490 and issued a total of 201,950 finder's warrants to certain arm's-length finders. Each finder's warrant entitles the holder to purchase one common share at an exercise price of \$0.25 per common share for a period of 24 months after the date hereof. The fair value of the warrants is \$18,351, estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 125.98%, risk-free interest rate of 0.98%, expected life of 2 years and a dividend rate of 0%.

On December 31, 2021, the Company paid interest on the Company's convertible debentures through the issuance of 383,943 shares as settlement in full of interest owing on that date, in accordance with the terms of the convertible debentures.

On March 29, 2022, the Company issued 12,200,000 Units at a price of \$0.12 per unit for gross proceeds totaling \$2.568 million. Each Unit consists of one common share and one-half common share purchase warrant, with each warrant entitling the holder to purchase one additional common share at an exercise price of \$0.175 in Year 1 and 2 and \$0.20 in Year 3 after the date issuance. The shares were put into escrow as was the consideration for the shares. Monthly there will be a release of shares and cash as defined in the sharing agreement. (note 9). The fair value of the warrants is \$630,120, estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions: annualized volatility of 107.72%, risk-free interest rate of 2.34%, expected life of 3 years and a dividend rate of 0%. (note 18)

On June 30, 2022, the Company paid interest on the Company's convertible debentures through the issuance of 377,655 shares as settlement in full of interest owing on that date, in accordance with the terms of the convertible debentures. The Company issued 761,598 common shares in total for the year for settlement of interest owing on its convertible debentures for a total fair value of \$95,671. The Company recognized a gain on the settlement of interest of \$129,588 (note 15).

On October 25, 2022, the Company issued 788,000 shares, issued under the secured loan agreement (note 14).

On December 31, 2022, the Company paid interest on the Company's convertible debentures through the issuance of 383,943 shares as settlement in full of interest owing of \$113,560 on that date, in accordance with the terms of the convertible debentures. The Company recognized a gain on the settlement of interest of \$102,042 (note 15).

On April 11, 2023, the Company paid interest on the Company's convertible loan note through the issuance of 92,000 shares as settlement in full of interest owing on that date, in accordance with the terms of the convertible loan note.

(b) Warrants

The continuity schedule of share purchase warrants is as follows:

	Number of share purchase warrants	Weighted Average Exercise Price
Balance, August 31, 2021	33,568,107	\$0.540
Granted	16,062,318	\$0.230
Expired	(3,959,340)	\$0.790
Balance, August 31, 2022	45,671,085	\$0.410
Granted	-	-
Expired	(29,319,095)	\$0.510
Balance, May 31, 2023	16,351,990	\$0.230

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

May 31, 2023

17. Share capital (continued)

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
\$0.35	0.47 years	112,000	August 20, 2023
\$0.35	0.50 years	36,400	August 31, 2023
\$0.35	0.80 years	141,272	December 18, 2023
\$0.35	0.82 years	5,160,000	December 23, 2023
\$0.025	0.82 years	201,950	December 23, 2023
\$0.175	2.08 years	6,100,000	March 29, 2025
\$0.175	2.08 years	4,600,368	March 29, 2025
\$0.230	1.39 years	16,351,990	

(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.

On May 2, 2022, the Company granted a total of 1,050,000 options to employees, consultants and a director of the Company. The options are exercisable at a price of \$0.15 per share and will expire on May 2, 2027. One-third of the options will vest after six months, with a further third vesting every six months thereafter. These options were valued at \$66,596 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 2.81%, expected dividend yield 0%, share price \$0.09, exercise price \$0.15, volatility 103.53%, and expected life 5 years.

On June 10, 2022, the Company granted a total of 900,000 options to employees and directors of the Company. The options are exercisable at a price of \$0.15 per share and will expire on June 10, 2027. One-third of the options will vest after six months, with a further third vesting every six months thereafter. These options were valued at \$41,625 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 3.32%, expected dividend yield 0%, share price \$0.07, exercise price \$0.15, volatility 101.46%, and expected life 5 years.

On June 21, 2022, the Company granted a total of 150,000 options to employees of the Company. The options are exercisable at a price of \$0.15 per share and will expire on June 21, 2027. One-third of the options will vest after six months, with a further third vesting every six months thereafter. These options were valued at \$6,281 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 3.40%, expected dividend yield 0%, share price \$0.065, exercise price \$0.15, volatility 100.49%, and expected life 5 years.

On June 21, 2022, the Company granted a total of 175,000 options to employees of the Company. The options are exercisable at a price of \$0.10 per share and will expire on June 21, 2027. One-third of the options will vest after six months, with a further third vesting every six months thereafter. These options were valued at \$8,000 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 3.40%, expected dividend yield 0%, share price \$0.065, exercise price \$0.10, volatility 100.49%, and expected life 5 years.

On June 21, 2022, the Company granted a total of 400,000 options to a consultant of the Company. The options are exercisable at a price of \$0.09 per share and will expire on June 21, 2027. One-third of the options will vest after six months, with a further third vesting every six months thereafter. These options were valued at \$18,664 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 3.40%, expected dividend yield 0%, share price \$0.065, exercise price \$0.09, volatility 100.49%, and expected life 5 years.

On August 19, 2022, the Company granted a total of 150,000 options to a director of the Company. The options are exercisable at a price of \$0.10 per share and will expire on August 19, 2027. One-third of the options will vest after six months, with a further third vesting every six months thereafter. These options were valued at \$4,903 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 3.13%, expected dividend yield 0%, share price \$0.05, exercise price \$0.10, volatility 98.86%, and expected life 5 years.

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

May 31, 2023

17. Share capital (continued)

On August 19, 2022, the Company granted a total of 400,000 options to a consultant of the Company. The options are exercisable at a price of \$0.09 per share and will expire on August 19, 2027. One-third of the options will vest after six months, with a further third vesting every six months thereafter. These options were valued at \$13,391 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 3.13%, expected dividend yield 0%, share price \$0.05, exercise price \$0.09, volatility 98.86%, and expected life 5 years.

On October 25, 2022, the Company granted a total of 250,000 options to a consultant of the Company. The options are exercisable at a price of \$0.09 per share and will expire on October 25, 2027. These options are fully vested upon issuance. These options were valued at \$6,586 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 3.66%, expected dividend yield 0%, share price \$0.04, exercise price \$0.09, volatility 101.88%, and expected life 5 years.

On October 25, 2022, the Company granted a total of 250,000 options to a consultant of the Company. The options are exercisable at a price of \$0.05 per share and will expire on October 25, 2027. These options are fully vested upon issuance. These options were valued at \$7,400 using the Black-Scholes Method based on the following weighted average assumptions: risk-free interest rate 3.66%, expected dividend yield 0%, share price \$0.04, exercise price \$0.05, volatility 101.88%, and expected life 5 years.

During the period ended May 31, 2023, the Company recognized \$162,508 (2022 - \$162,508) in share-based compensation related to stock options and deferred share units vested during the period.

The continuity schedule of stock options is as follows:

	Number of stock options	Weighted Average Exercise Price (\$)
Balance, August 31, 2021	6,740,000	\$0.49
Granted	3,225,000	\$0.13
Cancelled	(1,540,000)	\$0.43
Balance, August 31, 2022	8,425,000	\$0.36
Granted	500,000	\$0.07
Exercised	-	-
Balance, May 31, 2023	8,925,000	\$0.35

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	0.39 years	1,390,000	1,390,000	October 22, 2023
\$0.75	1.46 years	900,000	900,000	November 15, 2024
\$0.75	1.62 years	935,000	935,000	January 13, 2025
\$0.35	2.38 years	950,000	950,000	October 16, 2025
\$0.46	2.79 years	500,000	500,000	March 15, 2026
\$0.30	3.09 years	525,000	525,000	July 2, 2026
\$0.15	3.92 years	1,050,000	700,000	May 2, 2027
\$0.15	4.03 years	900,000	300,000	June 10, 2027
\$0.15	4.06 years	150,000	50,000	June 21, 2027
\$0.10	4.06 years	175,000	58,333	June 21, 2027
\$0.09	4.06 years	400,000	400,000	June 21, 2027
\$0.10	4.22 years	150,000	50,000	August 19, 2027
\$0.09	4.22 years	400,000	400,000	August 19, 2027
\$0.09	4.41 years	250,000	250,000	October 25, 2027
\$0.30	4.41 years	250,000	250,000	October 25, 2027
\$0.35	2.68 years	8,925,000	7,658,333	

(d) Deferred shares units

During the year ended August 31, 2020, the Company adopted an award plan (the "DSU Plan"), which permits the grant of deferred share units of the Company ("DSU's") whereby the maximum number of common shares reserved for the issue under the DSU Plan shall not exceed 2,000,000 common shares of the Company. In addition, the aggregate number of common shares issuable pursuant to the DSU Plan combined with the Company's Stock Option Plan, shall not exceed 10% of the Company's outstanding shares. In 2022 the Company approved an increase in the number of common shares to not exceed 4,000,000.

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

May 31, 2023

17. Share capital (continued)

The DSU's vest 25% immediately on the award date, 25% on the one-year anniversary of the award date, 25% on the two-year anniversary of the award date and 25% on the three-year anniversary of the award date. Early vesting is provided in the event of termination without cause, resignation at the request of the Company, death, or on the occurrence of a change of control of the Company.

On October 16, 2020, the Company issued 2,000,000 DSUs to a director and officers of the Company with a total value of \$760,000. During the period ended May 31, 2023, the Company recognized \$47,474 (2022 - \$113,896) in share-based compensation expense for DSUs which have vested during the period. During the period ended May 31, 2023, 400,000 (2021 – 400,000) DSU's have vested.

During the year ended August 31, 2021, 100,000 DSUs were settled at \$0.38 per share and 300,000 DSUs were forfeited.

On May 2, 2022, the Company issued 760,000 DSUs to directors and officers of the Company with a total value of \$68,400. During the period ended May 31, 2023, the Company recognized \$11,107 (2022 - \$27,280) in share-based compensation expense for DSUs which have vested during the period. The DSUs awarded to the CEO vested 50% on issuance, and the balance will vest 50% on the first specified event and 50% on the second specified event. During the period ended May 31, 2023, 190,000 (2022 – 290,000) of these DSU's have vested.

No DSUs were exercised or forfeited during the period ended May 31, 2023. At May 31, 2022, there are 2,360,000 DSUs issued.

(e) Escrowed shares

As at May 31, 2023, Nil (2022 – 2,546,898) 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.

(f) Convertible notes

On March 29, 2022, 1,104 Convertible Loan Notes in the principal amount of \$1,000 per note, bearing an interest rate of 1% per annum. Each note is convertible into 8,333 common shares for a period of 36 months from the date of issuance. Conversion of the notes is limited to only when shares issued combined with the then current holdings of the holder will not take the holder above 9.9% ownership of the Company. Since the notes are to be settled in shares, the units are treated as equity. In addition, 4,600,368 Common share purchase warrants were issued, each warrant entitling the holder to purchase one additional common share at an exercise price of \$0.175 in Year 1 and 2 and \$0.20 in Year 3 after the date issuance.

18. 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 and significant shareholders are summarized as follows:

	Period Ended May 31, 2023	Period Ended May 31, 2022
Management and consulting fees	\$ 603,968	\$ 874,862
Director's fees and consulting fees paid to directors	67,500	62,500
Share-based payments	81,696	69,018
Total	\$ 753,164	\$ 1,006,380

- (a) During the period ended May 31, 2023, the Company incurred \$225,000 (2022 – \$225,000) in management and consulting expense to the CEO of the Company pursuant to CEO services provided. The Company recorded \$23,737 (2022 - \$6,158) in share-based compensation representing the fair value of options and DSU's that were granted to the CEO which have vested during the period. At the period ended May 31, 2023, amounts due to the CEO for payroll are included in accounts payable and accrued liabilities which total \$477,953 (2022 - \$202,815). In addition, the CEO advanced \$nil (2022 - \$15,315) to the Company which is included in accounts payable and accrued liabilities.

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

May 31, 2023

18. Related party transactions (continued)

- (b) During the period ended May 31, 2023, the Company incurred \$108,333 (2022 - \$39,452) in management expense to the former CFO of the Company pursuant to CFO services provided of which \$51,875 (2022 - \$38,873) are included in accrued liabilities and accounts payable as at May 31, 2023. The Company recorded \$10,563 (2022 - \$8,8398) in share-based compensation representing the fair value of options and DSU's that were granted to the CFO which have vested during the period.
- (c) During the period ended May 31, 2023, the Company incurred \$Nil (2022 - \$68,542) in director's fees and management and consulting expense to the former CFO of the Company pursuant to CFO and Director services provided of which \$14,687 (2022 - \$14,687) are included in accrued liabilities and accounts payable as at May 31, 2023. The Company recorded \$Nil (2022 - \$3,079) in share-based compensation representing the fair value of options that were granted to the former CFO which have vested during the period.
- (d) During the period ended May 31, 2023, the Company incurred \$222,922 (2022 - \$208,509) in management expense to the COO of the Company pursuant to COO services provided. The Company recorded \$4,360 (2022 - \$6,158) in share-based compensation representing the fair value of options and DSU's that were granted to the COO which have vested during the period. As at May 31, 2023, the Company owed the COO \$380,590 (August 31, 2022 - \$248,551) for unpaid payroll.
- (e) During the period ended May 31, 2023, the Company incurred \$16,178 (2022 - \$240,859) in management and consulting expense to the former Executive Vice President ("EVP") of the Company for EVP services provided. The Company recorded \$28,097 (2022 - \$6,158) in share-based compensation representing the fair value of options and DSU's that were granted to the EVP which have vested during the period. As at May 31, 2023, the Company owed the former EVP \$232,308 (August 31, 2022 - \$210,707) for unpaid payroll.
- (f) During the period ended May 31, 2023, the Company incurred \$Nil (2022 - \$17,500) in director fees to former Directors of the Company. The Company recorded \$Nil (2022 - \$2,024) in share-based compensation representing the fair value of options granted to the former Directors of the Company which have vested during the year. As at May 31, 2023, the Company owed the former Director \$25,000 (2022 - \$25,000) that is included in accrued liabilities and accounts payable.
- (g) During the period ended May 31, 2023, the Company incurred \$99,000 (2022 - \$62,500) in director fees and consulting fees to Directors of the Company. The Director's earned \$67,500 (2022 - \$45,000) in director's fees and \$31,500 (2022 - \$17,500) in management and consulting expense for consulting services provided. The Company recorded \$14,940 (2022 - \$55,248) in share-based compensation representing the fair value of options granted to Directors of the Company which have vested during the period. As at May 31, 2023, the Company owed the Director's \$100,125 (2022 - \$nil) in unpaid Director's fees and \$62,475 (2022 - \$nil) in unpaid consulting expenses.

19. Supplemental disclosure with respect to cash flows

	Period Ended May 31, 2023 (\$)	Period Ended May 31, 20212 (\$)
Cash paid for income taxes	-	-
Cash paid for interest	16,528	3,888

Significant non-cash transactions during the period ended May 31, 2023 and 2022:

	Period Ended May 31, 2023 (\$)	Period Ended May 31, 2022 (\$)
Warrants issued as finders fees	-	-

Refer to note 8 for further disclosure relating to non-cash transactions.

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

May 31, 2023

20. 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:

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, 2023, the carrying values of cash, receivables, accounts payable and accrued liabilities, lease liability, short term loans, and deferred salary loans 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 was on its loan's receivable. This risk was 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, 2023, the Company had a cash balance of \$16,432 (August 31, 2022 - \$12,659) to settle accounts payable and accrued liabilities of \$3,126,617 (August 31, 2022 - \$2,081,597).

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.

As of May 31, 2023, these commitments required total payments, as follows:

	\$
Payable not later than one year	2,405,178
Payable later than one year and not later than five years	306,878
Payable later than five years	-
	<u>2,712,055</u>

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, 2023, 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, 2023, the Company had a foreign currency net monetary liability position of \$1,026,164 USD. Each 1% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain or loss of approximately \$12,316.

SIXTH WAVE INNOVATIONS INC.

Notes to the Condensed Interim Consolidated Financial Statements

(Expressed in Canadian dollars) (Unaudited)

May 31, 2023

20. Financial risk management (continued)

- 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.

21. Commitments

Termination benefits

The Company has entered into employment agreements with three key executive officers of the Company in which the Company will pay each officer base salaries ranging from US\$175,000 to US\$220,000 and \$300,000 per annum.

Should the Company terminate the employment agreements without cause a payment shall be made in a single lump sum to the executive ranging from six months to two times the amount of the executive's then annual total compensation package as of the date of the executive's termination. In addition, all unvested options that would have vested during the 12 months following termination will vest immediately on termination. The key executive officers will have a period of 30 days following termination in which to exercise those options.

22. Subsequent events

In June 2023, the Company secured an additional draw on the secured promissory note of US\$45,000 to increase the total drawn of US\$947,500.

In July 2023, the Company secured an additional draw on the secured promissory note of US\$32,500 to increase the total drawn of US\$980,000.

On June 30, 2023, the Company paid interest on the Company's convertible loan note through the issuance of 383,943 shares as settlement in full of interest owing on that date, in accordance with the terms of the convertible loan note.

Schedule “C”
Management’s Discussion & Analysis
[see attached]



SIXTH WAVE INNOVATIONS INC.

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE PERIOD ENDED MAY 31, 2023**

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the financial results of Sixth Wave Innovations Inc. ("Sixth Wave" or the "Company") for the period ended May 31, 2023 and 2022. The information provided herein should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended August 31, 2022 which are prepared in accordance with International Financial Reporting Standards. All amounts are expressed in Canadian dollars unless otherwise noted.

FORWARD-LOOKING STATEMENTS

Certain statements and information contained in the MD&A constitute “forward- looking statements” and “forward looking information” within the meaning of applicable securities legislation. Forward-looking statements and forward looking information include statements concerning the Company’s current expectations, estimates, assumptions, and beliefs, and in certain cases, can be identified by the use of words such as “seeks”, “plans”, “is expected”, “budget”, “estimates”, “intends”, “anticipates”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would”, “might”, or “will”, “occur”, or “be achieved”, or the negative forms of any of these words and other similar expressions. The statements reflect the current beliefs of management of the Company, and are based on currently available information.

Examples of forward-looking information in the MD&A may pertain to the following, among others:

1. The Company’s plans and estimated timing related to the commercialization and generation of revenue from the Company’s Affinity cannabis extraction technology;
2. The Company’s progress towards the research and development of the Company’s AMIP’s technology for the detection of viruses including Covid-19 (or SARS-2 Coronavirus);
3. Plans, timing, and results of the testing of the Company’s IXOS® technology for various testing partners including but not limited to the Rio2 Limited (“Rio2”) Fenix Gold Project;
4. The timing and access to input test materials for the collaborative “green” testing initiative with Mining and Process Solutions in Australia (as discussed below);
5. The Company’s intention to grow the business, operations and potential activities of the Company, including entering into joint ventures and partnerships and leveraging the developing technologies and capabilities through potential joint ventures and partnerships;
6. The development and potential commercialization of new products;
7. Whether the Company will have sufficient working capital and its ability to raise additional financing required in order to develop its business and continue operations;
8. The applicable laws, regulations and any amendments thereof that are applicable to the Company’s business, particularly the portion of the Company’s business involving the cannabis sector;
9. The filing of trademark and patent applications and the successful registration and defense of same;
10. The Company’s ability to remain listed on the Canadian Securities Exchange and the impact of any actions it may be required to take to remain listed; and
11. The impact of the COVID-19 coronavirus pandemic on the operations of the Company.

Forward-looking statements and forward looking information reflect the Company’s current expectations and assumptions, and are subject to a number of known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by the forward-looking statements and forward looking information, including without limitation:

1. The Company has limited operating history, no history of generating revenues and there is no assurance that the Company will be able to achieve or maintain profitability or solvency;
2. The Company’s history of losses and expectation of future losses and uncertainty as to the Company’s ability to continue as a going concern;
3. Risks associated with the Company’s ability to secure additional funding to continue the research and development of each of its three products; IXOS®, Affinity™, and AMIPs;
4. Uncertainty regarding the Company’s ability to obtain required external financings on acceptable terms;
5. Inherent regulatory risks in the mining and cannabis industries;
6. The Company’s ability to attract and retain qualified personnel, including key personnel;
7. The Company’s ability to carry out operations in accordance with plans in the face of significant disruptions;

8. The Company's ability to commercialize its technologies;
9. Fluctuations in foreign exchange or interest rates and stock market volatility;
10. Uncertainty as to the Company's ability to maintain effective internal controls;
11. Operational risks associated with limited travel and logistics as a result of the COVID-19 pandemic;
12. Risks related to natural disasters, climate change, terrorism, civil unrest, public health concerns (including health epidemics or pandemics or outbreaks of communicable diseases such as COVID-19) and other geopolitical uncertainties;
13. The Company's ability to obtain all necessary permits and other approvals;
14. Increased costs and restrictions on operations due to compliance with environmental legislation and potential lawsuits;
15. The Company's ability to scale each of the Company's technologies from bench through to pilot and commercial scale;
16. The Company's ability to maintain its patent protections for each of its technologies; and
17. The Company's ability to comply with applicable regulatory requirements, including any changes in laws, rules and regulations.

Although any forward-looking statements contained in this MD&A are based on what the Company believes are reasonable assumptions, these assumptions are subject to a number of risks beyond the Company's control, and there can be no assurance that actual results will be consistent with these forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, financial risks; industry competition; general economic conditions and global events; product development, facility and technological risks; changes to government laws, regulations or policies, including tax; supply risks; product risks; dependence on senior management; sufficiency of insurance; and other risks and factors described from time to time in the documents filed by the Company with securities regulators. For more information on the risk factors that could cause the Company's actual results to differ from current expectations, see "Risk Factors". All forward-looking information is provided as of the date of this MD&A. The Company does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by law.

DATE OF REPORT

The effective date of this report is July 28, 2023.

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

About Sixth Wave

Sixth Wave Innovations Inc. ("**Sixth Wave**" or the "**Company**") is a North American-based nanotechnology corporation specializing in molecular engineering, materials extraction, detection, and purification. The Company was incorporated under the *Business Corporations Act* (British Columbia) on June 6, 2007. The Company's head office is located at Suite 110 – 206 Waterfront Dr., Bedford, NS B4A 0H3.

On January 31, 2020, pursuant to an agreement and plan of merger dated September 11, 2018 (as amended, the "Merger Agreement") among the Company, a wholly-owned subsidiary of the Company ("Merger Subco"), 6th Wave Innovations Corp. (a Delaware corporation headquartered at 615 Arapeen Drive, Suite 303, Salt Lake City, UT 84108 ("6WIC") and Affinity Nanotechnology Inc. ("Affinity Nano") as the securityholders' representative, 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 merged 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 14,291,056 Common Shares and US\$1.2 million in cash to the former holders of 6WIC securities, and issued 3,928,043 warrants to purchase common shares of the Company ("Common Shares") in exchange for outstanding 6WIC warrants. Further details pertaining to the Merger Transaction are discussed below in the Merger Transaction section. Following completion of the Merger Transaction, the Company's Common Shares were listed for trading on the Canadian Securities Exchange ("CSE") and commenced trading on February 11, 2020 under the ticker symbol "SIXW".

Sixth Wave is in the process of commercializing its Affinity cannabinoid purification technology as well as IXOS, a line of extraction polymers for the gold mining industry. The Company is also in the research and development stages of a rapid diagnostic test for viruses and bacteria under the AMIPs label. The Company has patent applications and protections in 40+ countries.

Sixth Wave's technology uses 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, viruses, bacteria, biomarkers, and inorganic materials such as metals. The Company's area of expertise involves the design and manufacture MIPs capable of detecting and/or recovering valuable substances. The Company maintains a website at www.sixthwave.com.

Recent Developments

IXOS® and Mining

This is our main mining product for gold mining. In late 2019 and early 2020, the Company completed a large pilot plant project at a mine in Nevada that demonstrated positive results that the Company believed would be sufficient to support moving to full processing plant scale. However, the operator of the Nevada mine shifted the focus of its capital improvement projects outside of North America for business reasons unrelated to IXOS. As a result, the Company did not move to full processing plant scale at that time, but believed it remained ready to do so as soon as a suitable site and location would be identified, which would result in near term revenue opportunities. While some dialogue continued relative to a new property, COVID restrictions interfered with such activities both internal to the mine operator and prevented activities at any mine site in their inventory from continuing. The Company has no immediate pathway forward with this customer as their priorities remain focused on other capital investments.

In September 2022, the Company signed a three-phase test and implementation contract ("Contract") with Magnus Resources to field the Company's patented IXOS® molecular imprinted polymer for extraction and purification of gold and silver (the "IXOS® Mining Technology") at the Penhalonga Gold Mine, Zimbabwe. and to deploy three smaller processing plants to assist regional artisanal mining groups in Zimbabwe. As of this time we believe that Magnus has not secured project funding and markets remaining difficult. With a lack of substantive progress and continued communications The Company does not believe that there is any near-term prospects for this project to be initiated. The Company will remain open to reengaging and working the Contract with any appropriate changes in time and cost as may be required should the situation for Magnus change. Unless the Company is formally reengaged there will be no further updates provided as the current Contract terms have expired.

In October 2022, the Patent Office of the Uzbekistan granted the Company a patent for its unique method of metal extraction and purification using molecularly imprinted polymers. ("MIPS"). This patent extends the Company's existing patent portfolio to include methodologies relating to the molecularly imprinted polymers, which selectively bind to target metals ions, achieving more efficient metal extraction.

On January 19, 2023, the Issuer reported on extraction and recovery of lithium from spodumene found at the Champlain Mineral Ventures Ltd. ("CMVL") Brazil Lake property. The key objectives are to lower energy costs and utilize safer and greener reagents while reducing process steps. The Company has completed initial baseline testing of conventional processing using calcination for spodumene conversion and comparison of a conventional sulfuric acid leaching and an

improved version of flow sheet utilizing a non-acid leaching method. Conventional processing showed adequate recovery and a solid baseline for a competitive comparison of Issuers advanced pathways.

Pathways under development include:

- A low-risk pathway focused on a modified flow sheet using pressure leaching with sodium carbonate has shown excellent results to date.
 - Leaching efficiencies of between 95-100% have been achieved
 - relatively low autoclave temperature (230C) and
 - short leaching time (60min).
 - Single-pass lithium recovery levels in excess of 74%
 - final lithium carbonate purity levels nearing 98%.
- Process improvements are under way to achieve greater than 90% total lithium recovery to lithium
- carbonate.
- Issuer has developed prototypes of a functionalized ion exchange resin to polish lithium sulfate achieving 2% additional purity.
 - This polishing provides a pathway for achieving battery grade lithium carbonate >99.5% purity.

With these advancements the Company believes it has moved significantly forward in elimination and minimized use of toxic reagents and simplifying the process flow sheet while providing a competitive and commercially viable process to battery grade lithium carbonate production.

Next steps in the work include continued simplification of the flow sheet to take advantage of lower energy technologies, to convert the spodumene to leachable form and combining the conversion of the spodumene to leachable form and leaching steps to further reduce OPEX and CAPEX. In addition, the Company is exploring other unique non-toxic and biodegradable lixivants targeted toward lithium. While there is some early work to draw on the Company believes that it is developing protectable new intellectual property both in processes as well as fundamental extraction and purification technology.

On February 6, 2023, the Company announced that its application to the Mineral Resources Development Fund (MRDF), Natural Resources and Renewables, Province of Nova Scotia, to support the Issuer's Spodumene Beneficiation and Lithium Extraction from Spodumene Concentrate development has been awarded. The MRDF supports innovative projects in the mining sector that help attract investment and grow Nova Scotia's economy, particularly with a focus on critical minerals. The \$50,000 will be used to continue the refinement and extension of the work being performed in support of the recovery of lithium from spodumene found at the Champlain Mineral Ventures Ltd. Brazil Lake property.

Under the terms of the Grant, Sixth Wave will be reimbursed for allowed expenses up to CAD\$50,000 with all work expected to be completed by the end of March 2023. The focus of the work to date and which will continue under the Grant is to develop a greener process for conversion of spodumene to leachable beta spodumene and simplify the process flow sheet to achieve battery grade lithium carbonate as described earlier. Fewer process steps, reduced or eliminated use of toxic chemicals, and lower energy usage reduce the cost and environmental impact of processing spodumene lithium deposits. These advancements are in keeping with Issuer's goals of providing industry leading mining solutions that both increase the profitability of a mine and reduce the environmental and societal impact of mining. The advancements in its lithium program adds to the Issuer's already developed solutions for gold mining which have demonstrated reduced OPEX and CAPEX while increasing gold yield while also reducing reagent and energy use. As of this time, the Company has successfully completed the Grant and submitted all deliverables.

While COVID-19 and other economic factors have delayed revenues from the Company's IXOS® product the Company has seen additional inquiries from both precious metals and critical metals companies. As of the date of this analysis, the Company has produced additional contract proposals for several gold mines and lithium properties that are under evaluation by customers and is preparing others for submission. The Company has no assurances that these will result in new contracts but does view the continued industry interest positively.

AMIP's

The Company is continuing its support of the development of AMIP's for the rapid detection of SARS-CoV-2 ("COVID-19"), other viruses, and bacterial pathogens. These efforts are focused solely on the work being performed at York University under previously announced NCERC grants. To that end, the Company has successfully integrated its AMIP's technology into a multicomponent microfluidic device with fluorescent detection. The prototype device, created by Dr. Pouya Rezai's and Dr. Satinder Brar's groups at York University, coats a thin layer of the AMIP's polymer onto fluorescent magnetic microparticles. As the ultra-thin AMIP's polymer shell binds the target pathogen, a change in the fluorescent signal is detected by the device. The integration of the detectors with microfluidics devices and "lab-on-a-chip" designs allow screening for multiple pathogens with a single test or device. Further research and development will characterize the device's technical parameters including sensitivity and specificity.

In November 2022, the AMIPs™ technology platform had expanded its library of detectable pathogens, such as E.coli, to include Salmonella, Listeria, and Sarcina. Preliminary selectivity data showed very promising results paving the way for quick onsite multiplex testing capabilities (one test can simultaneously detect multiple pathogens). This advancement allows for the commercialization a set of rapid diagnostic tools for the \$21.1B food safety testing industry.

In combination with the AMIPs™ rapid detection virus and bacteria (or pathogens) platform, the Company also began to market its Pathogenic Amines Detection System (PADS™) to potential licensees. PADS™ is a sensing technology for detection of biomarkers associated with food spoilage. A prototype food sensor can be easily integrated into individually packaged retail meat products to help food producers monitor the safety of their product throughout the production process. The AMIPs™ and PADS™ technologies address critical operational pain points in the food production sector and may offer consumers additional confidence in the safety of the products they are buying.

As of the date of this management discussion and analysis the Company is pursuing partnership and licensing opportunities to monetize the AMIPs and PADS markets as the primary pathway to monetizing the value of developed intellectual property and designs. While discussions with potential partners/licensees are taking place the Company is not making any guarantees that such discussions will result in an agreement or what the resulting terms of an agreement will be.

The Company is not making any expressed or implied claims that its product has the ability to eliminate, cure or contain Covid-19 (or SARS-2 Coronavirus) or any other pathogen outbreak at this time.

Affinity

Construction of the Company's initial preproduction units, including the two pilot systems, were manufactured by Advanced Extraction Systems Inc. (AESI). Each pilot system has the estimated capability of producing up to 15 kilograms of high-purity distillate daily.

In 2022, the Company signed a Memorandum of Understanding ("MOU") with AESI for an exclusive worldwide royalty bearing license to the Company's Affinity™ cannabis extraction technology. As part of the overall structure, the Company will work with AESI to help transition to a publicly traded company.

Further to this, AESI announced on July 14, 2022, that AESI it had entered into a non-binding Letter of Agreement with Hakken Capital Corp. ("Hakken") that will combine business operations in a reverse takeover type transaction (the "Transaction"). The specific terms of the Transaction have been released by the parties under separate disclosure. Completion of this transaction was a dependency of closing the licensing agreement.

As of the date of this management discussion and analysis the AESI and Hakken have not completed the contemplated Transaction and the terms of their Agreement to proceed have expired. Sixth Wave has not been informed that continuation of discussions has taken place and does not believe that there is a realistic pathway to resurrection of the public transaction being contemplated between those two parties. Sixth Wave continues to work with AESI as a production partner for the Affinity hardware though our MOU for the license has expired. Sixth Wave is actively pursuing alternate options for licensing but is prepared to continue to pursue commercial release of Affinity under Sixth Wave if an alternative is not identified. The Company continues to get new inquiries for Affinity systems but remains hampered to respond due to a lack of working capital to fund configuration scale-up, manufacturing, and delivery activities required.

During the course of the development of the Affinity system many unpredictable events have occurred. The Company has had to deal with customer/partners going out of business or not receiving operating licenses, change in vendor for the Affinity hardware forcing a complete redesign of the system, and limited ability to travel and generate new customers due to COVID-19. Moreover, the cannabis market has also changed with large drops in the price of CBD, consolidation of producers, and with a larger focus on the use of the Affinity™ for processing high THC extracts for use in edibles and other products based on industry feedback. This change was significant for the product roll out as nearly two years of the development work had been done for hemp processing and THC remediation. The relationship and agreement with Green Envy was critical to addressing the THC market as Sixth Wave does not have a licensed facility that will allow large scale testing and process development of high THC applications. Thus, while very positive results have been achieved for this application, testing in-house has been limited to small test columns. The Company has sufficiently progressed the body of test data for this application that it is ready to start scaled up testing with its desk top (Discovery System) and pilot system as soon as a development partner is located. The Company is in discussions with a Maryland producer for this purpose and to take eventual delivery on a production Affinity system. The Company is not making any expressed or implied promises that negotiations with this producer will end in a contract. The Company has not had sufficient funding to actively market the Affinity™ product and opted to hold off formal efforts pending obtaining sufficient working capital and a viable scale up partner. Despite that, the Company continues to receive inquiries indicating that demand for the Affinity™ product remains and that once scale-up and SOP development is complete that sales should follow.

Corporate and Other Developments

In January 2023, Mr. Sherman McGill completed his transition from operational tasks within the Company as part of his retirement and he will no longer remain as an officer of the Company. Mr. McGill will remain active as a director on the Board.

In May 2023, Ms. Nicole Wood resigned as Chief Financial Officer of the Company but will continue to support the Company in the accounting function until a replacement has been appointed. Jonathan Gluckman has been appointed as the acting Chief Financial Officer.

Financing Activities

Non-Brokered Private Placement Financings:

On November 16, 2022, the Issuer announced that it has entered into a secured promissory note agreement in the aggregate principal amount of up to USD\$612,500. The Note bears interest at 10% per annum and matures on October 25, 2023. The Note will be secured against the assets of the Company pursuant to a general security agreement. The existing debt with this creditor will be consolidated under the Note Agreement and creditor will make an additional US\$125,000 available to the Company. As additional consideration for the issuance of the Note, the Company issued 788,000 Shares to the creditor. The securities issued pursuant to the Note Agreement will be subject to a four month and one day hold period.

The creditor made an additional \$166,881 (US\$125,000) to the Company which was advanced on November 18, 2022.

On December 22, 2022, the Company secured an additional draw on the secured promissory note of \$204,500 (US\$150,000) to increase the total drawn of US\$762,500.

In April 2023, the Company secured an additional draw on the secured promissory note of US\$40,000 to increase the total drawn of US\$802,500.

In May 2023, the Company secured an additional draw on the secured promissory note of US\$100,000 to increase the total drawn of US\$902,500. The maturity date of the Note was amended to May 31, 2024.

In June 2023, the Company secured an additional draw on the secured promissory note of US\$45,000 to increase the total drawn of US\$947,500.

In July 2023, the Company secured an additional draw on the secured promissory note of US\$32,500 to increase the total drawn of US\$980,000.

Convertible Debenture Interest Payment

On December 31, 2022, the Company paid interest on the Company's convertible debentures through the issuance of 383,943 shares as settlement in full of interest owing on that date, in accordance with the terms of the convertible debentures.

Convertible Loan Note Interest Payment

On April 11, 2023, the Company paid interest on the Company's convertible loan note through the issuance of 92,000 shares as settlement in full of interest owing on that date, in accordance with the terms of the convertible loan note.

Marketing and Investor Relations

From time to time, the Company retains external marketing and investor relations firms to assist the Company with communicating with securities dealers, investment advisers, portfolio managers and shareholders - both current and prospective – in order to increase awareness of and interest in the Company. In such circumstances, it is the Company's expectation and requirement that the marketing and investor relations firms will only provide investors with previously disclosed factual information concerning the Company, or with copies of materials that have been filed on SEDAR, or materials prepared by registered or registration-exempt investment research analysts and/or investment columnists, or broadly published in newspapers, magazines or journals. In such circumstances, the Company bears the costs of these services and management of the Company takes reasonable steps to ensure that such costs are reasonable and in proper proportion to the Company's financial resources at the time and are also in reasonable proportion to the level of expected capital market activity of the Company and related investor interest. Since such arrangements involve the providing of non-confidential information to investors and are limited to awareness of information that is already available to others in an efficient marketplace, the Company does not believe that such activities are improperly promotional or that they are expected to significantly affect the market price or value of any of the Company's securities.

SELECTED ANNUAL INFORMATION

The following annual information is prepared in accordance with International Financial Reporting Standards. Amounts are reported in thousands of Canadian dollars, except for per share amounts.

	For the year ended August 31, 2022 \$	For the year ended August 31, 2021 \$	For the year ended August 31, 2020 \$
Net loss	8,831	16,236	20,973
Loss per share – basic and diluted	0.07	0.16	0.34
Total assets	2,048	5,100	12,682

RESULTS OF OPERATIONS

Operating Expenses:

During the period ended May 31, 2023, the Company incurred a loss of \$3,248,484 compared to a loss of \$5,636,867 for the period ended February 28, 2022. The significant changes during the period compared to comparable prior period are as follows:

- The Company recorded amortization on its equipment, right of use assets, and intellectual property of \$392,885 (2022 – \$455,659).
- Advertising and promotion decreased from \$408,618 to \$47,691 as a result of expenditure incurred to market the Company's products, as well as marketing programs to raise awareness of the Company's business in general.
- Management and consulting fees decreased by \$797,291 to \$1,207,224 (2022 - \$2,004,515). The prior period includes additional members of management and consultants as a result of the advancement of the Company's Affinity and AMIP's technology platforms.
- Office and miscellaneous expenses of \$111,817 are consistent with the comparable prior period of \$106,047.
- Professional fees decreased by \$117,431 to \$275,976 (2022 - \$393,407). The Company incurred professional fees relating to the Company's intellectual property portfolio and legal expenditures relating to new product developments, and other business developments initiatives. This increase was the result of the timing of these expenditure and patent filings and can be expected to fluctuate somewhat on a quarterly basis.
- Research and development expenditures decreased to \$267,286 from the prior period of \$856,182. The Company continues to advance its research and development activities, with the majority of the expenditure being focused on its Affinity cannabinoid extraction technology and AMIP's virus detection technology.
- The Company recorded share-based compensation of \$181,574 attributable to the estimated value of stock options vested during the period. In the comparable prior period, the Company recorded \$387,516 resulting in a difference of \$205,942. The difference period over period is attributable to the size and timing of option grants in each period.
- During the period ended May 31, 2023, the Company recorded interest expense of \$478,286 (2022 – \$399,721) as a result of convertible debentures issued in 2020 and 2021, and lease liability obligations.
- During the period ended May 31, 2023 the Company recorded a foreign exchange loss of \$55,201 (2022 – \$36,620). 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 United States dollar relative to the Canadian dollar.
- At May 31, 2023, financial assets from the Sorbie financing are adjusted to the fair market value at the period end which resulted in an unrealized loss of \$320,630 (2022 - \$1,323,677) and realized gain of \$17,307 (2022 – loss \$30,813) on the equity swap settlements.
- At May 31, 2023, warrant liability resulting from the Sorbie financing was adjusted to fair market value at the period end using the Monte Carlos model which resulted in an unrealized gain of \$27,042 (2022 - \$803,353).

SUMMARY OF QUARTERLY RESULTS

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

Three Months Ended	May 31, 2023	February 28, 2023	November 30, 2022	August 31, 2022
Net loss	(876,470)	(1,203,436)	(1,168,578)	(3,194,124)
Loss per share – basic and diluted	(0.01)	(0.01)	(0.01)	(0.03)
Total assets	1,233,301	1,370,599	1,933,733	2,047,869
Total liabilities	6,942,689	6,237,098	5,644,728	4,765,565
Working capital (deficit)	(6,470,467)	(5,741,757)	(3,550,319)	(3,282,709)

Three Months Ended	May 31, 2022	February 28, 2022	November 30, 2021	August 31, 2021
Net loss	(1,928,131)	(1,891,915)	(1,816,821)	(9,648,878)
Loss per share – basic and diluted	(0.02)	(0.02)	(0.02)	(0.08)
Total assets	3,749,410	3,673,834	3,656,337	5,099,547
Total liabilities	4,097,159	3,474,822	2,754,643	2,543,540
Working capital (deficit)	(1,205,894)	(1,054,250)	(549,188)	1,119,052

Expenses for the quarters ended May 31, 2022, February 28, 2022, and November 30, 2022 were consistent with comparable prior year quarters as the Company completed the Merger Transaction with 6WIC and all of 6WIC's activities are now incorporated into these results year over year. Net loss for the quarter ended August 31, 2022 and 2021 were significantly higher than the net loss for the comparable period in the prior year as a result of the goodwill impairment of \$1,050,000 (2021 - \$7,188,856). 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.

LIQUIDITY AND CAPITAL RESOURCES

As at May 31, 2023, the Company had a cash balance of \$16,432 (August 31, 2022 - \$12,659) to settle current liabilities of \$6,625,880 (August 31, 2022 - \$3,688,626).

The Company currently does not generate any significant revenue from its operations and consequently is reliant on equity or other types of financing for its current short term and long-term working capital requirements and to fund its research and development programs, commercialize its technologies, and business development activities. Management of the Company is also searching for strategies that it can implement that will reduce expenses. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain necessary financing or other satisfactory arrangements to fund its operating expenses and interest expense until revenue generating contracts are obtained to allow the Company to be self-sufficient. The Company's ability to continue its research and development activities is dependent on management's ability to secure additional financing in the future, which may be completed by way of traditional equity financings or in a number of alternative ways including, but not limited to, a combination of: a rights offering; new strategic partnerships; joint venture arrangements; project-level or subsidiary-level third-party financings; royalty or streaming financing; the sale of non-core assets; and other capital market alternatives. Management is pursuing additional financial sources, and while the Company's management has been successful in obtaining financing for the Company in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

Net cash used in operating activities for the period ended May 31, 2023 was \$1,031,610 (2022 - \$2,230,664). The cash was primarily used for research and development, management and consulting, advertising and promotion, professional fee and general and administrative expenses, net of non-cash expenditures.

During the period ended May 31, 2023, net cash provided in financing activities was \$1,035,383 (2022 - \$994,488). Financing related cash inflows consisted of settlements of the equity swap of \$153,245 (2022 - \$200,000) and the proceeds from short term loans of \$911,443 (2022 - \$254,575). Financing related cash outflows consisted of repayment of deferred salary loans of \$10,002 (2022 - \$62,601), and payments on the Company's lease liability of \$51,483 (2022 - \$117,048).

During the period ended May 31, 2023, the Company purchased equipment at a cost of \$nil (2022 - \$80,000).

On January 27, 2022, the Company announced that it has filed a preliminary short form base shelf prospectus (the "Prospectus"). The Prospectus was filed with the securities regulatory authorities in each of the Provinces and Territories of Canada. The Prospectus was filed to provide the Company with financial flexibility and efficient access to Canadian capital markets to pursue its growth initiatives. Once a receipt for the final Prospectus is received from the applicable securities

regulators, the final Prospectus will be valid for a 25-month period during which time the Company will be permitted to offer up to \$25 million of common shares, warrants, subscription receipts, debt securities, or any combination thereof, including in the form of units (collectively, the "Securities"). If any Securities are offered under the Prospectus, the terms of any such Securities and the intended use of the net proceeds resulting from such offering would be established at the time of any offering and would be described in a prospectus supplement filed with the applicable Canadian securities regulatory authorities at the time of such offering and would be made available by the Company.

COMMITMENTS

Termination benefits

The Company has entered into employment agreements with three key executive officers of the Company in which the Company will pay each officer base salaries ranging from US\$175,000 to US\$220,000 and \$300,000 per annum.

Should the Company terminate the employment agreements without cause, a payment shall be made in a single lump sum to the executive ranging from six months to two times the amount of the executive's then annual total compensation package as of the date of the executive's termination. In addition, all unvested options that would have vested during the 12 months following termination will vest immediately on termination. The key executive officers will have a period of 30 days following termination in which to exercise those options.

OFF-BALANCE SHEET ARRANGEMENTS

As at May 31, 2023, 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 and significant shareholders are summarized as follows:

	Period Ended May 31, 2023	Period Ended May 31, 2022
Management and consulting fees	\$ 603,968	\$ 874,862
Director's fees and consulting fees paid to directors	67,500	62,500
Share-based payments	81,696	69,018
Total	\$ 753,164	\$ 1,006,380

- (a) During the period ended May 31, 2023, the Company incurred \$225,000 (2022 - \$225,000) in management and consulting expense to the CEO of the Company pursuant to CEO services provided. The Company recorded \$23,737 (2022 - \$6,158) in share-based compensation representing the fair value of options and DSU's that were granted to the CEO which have vested during the period. At the period ended May 31, 2023, amounts due to the CEO for payroll are included in accounts payable and accrued liabilities which total \$477,953 (2022 - \$202,815). In addition, the CEO advanced \$nil (2022 - \$15,315) to the Company which is included in accounts payable and accrued liabilities.
- (b) During the period ended May 31, 2023, the Company incurred \$108,333 (2022 - \$39,452) in management expense to the former CFO of the Company pursuant to CFO services provided of which \$51,875 (2022 - \$38,873) are included in accrued liabilities and accounts payable as at May 31, 2023. The Company recorded \$10,563 (2022 - \$8,8398) in share-based compensation representing the fair value of options and DSU's that were granted to the CFO which have vested during the period.
- (c) During the period ended May 31, 2023, the Company incurred \$Nil (2022 - \$68,542) in director's fees and management and consulting expense to the former CFO of the Company pursuant to CFO and Director services provided of which \$14,687 (2022 - \$14,687) are included in accrued liabilities and accounts payable as at May 31, 2023. The Company recorded \$Nil (2022 - \$3,079) in share-based compensation representing the fair value of options that were granted to the former CFO which have vested during the period.
- (d) During the period ended May 31, 2023, the Company incurred \$222,922 (2022 - \$208,509) in management expense to the COO of the Company pursuant to COO services provided. The Company recorded \$4,360 (2022 - \$6,158) in share-based compensation representing the fair value of options and DSU's that were granted to the COO which have vested during the period. As at May 31, 2023, the Company owed the COO \$380,590 (August 31, 2022 - \$248,551) for unpaid payroll.

- (e) During the period ended May 31, 2023, the Company incurred \$16,178 (2022 – \$240,859) in management and consulting expense to the former Executive Vice President (“EVP”) of the Company for EVP services provided. The Company recorded \$28,097 (2022 - \$6,158) in share-based compensation representing the fair value of options and DSU’s that were granted to the EVP which have vested during the period. As at May 31, 2023, the Company owed the former EVP \$232,308 (August 31, 2022 - \$210,707) for unpaid payroll.
- (f) During the period ended May 31, 2023, the Company incurred \$Nil (2022 – \$17,500) in director fees to former Directors of the Company. The Company recorded \$Nil (2022 – \$2,024) in share-based compensation representing the fair value of options granted to the former Directors of the Company which have vested during the year. As at May 31, 2023, the Company owed the former Director \$25,000 (2022 - \$25,000) that is included in accrued liabilities and accounts payable.
- (g) During the period ended May 31, 2023, the Company incurred \$99,000 (2022 – \$62,500) in director fees and consulting fees to Directors of the Company. The Director’s earned \$67,500 (2022 - \$45,000) in director’s fees and \$31,500 (2022 - \$17,500) in management and consulting expense for consulting services provided. The Company recorded \$14,940 (2022 – \$55,248) in share-based compensation representing the fair value of options granted to Directors of the Company which have vested during the period. As at May 31, 2023, the Company owed the Director’s \$100,125 (2022 - \$nil) in unpaid Director’s fees and \$62,475 (2022 - \$nil) in unpaid consulting expenses.

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.

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 requires significant judgment.

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.

Critical Accounting Estimates and Assumptions

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).

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.

Embedded derivatives

As part of assessing whether an instrument is a hybrid financial instrument and contains an 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.

Impairment on non-financial assets

At each reporting date, the Company assesses its non-financial assets to determine whether there are any indications of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. Non-financial assets that do not generate independent cash flows are grouped together into a cash generating unit ("CGU"), which represents the lowest level at which largely independent cash flows are generated. The recoverable amount of a CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is calculated as the present value of the estimated future cash flows discounted at appropriate discount rates. These calculations require the use of estimates and assumptions.

Estimated useful lives of property, plant and equipment and intangible assets

Depreciation of property, plant and equipment and amortization of intangible assets is dependent upon estimates of useful lives and residual values which are determined through knowledge of the business and judgment. Residual values, useful, depreciation, and amortization methods are reviewed annually for relevancy and changes are accounted for prospectively. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic conditions, market conditions and the useful lives of the assets. The useful life of the Company's intangible assets is estimated as 5 years,

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.

OTHER MD&A REQUIREMENTS

Share Capital

Common shares

As at May 31, 2023, there were 136,693,529 issued and fully paid common shares outstanding. As at the date of this report, there were 137,077,472 issued and fully paid common shares outstanding.

Stock options

As at May 31, 2023, there were 8,925,000 stock options outstanding. As at the date of this report, there were 8,925,000 stock options outstanding.

Deferred share units

During the year ended August 31, 2020, the Company adopted an award plan (the "DSU Plan"), which permits the grant of deferred share units of the Company ("DSU's") whereby the maximum number of common shares reserved for the issue under the DSU Plan shall not exceed 2,000,000 common shares of the Company. In addition, the aggregate number of common shares issuable pursuant to the DSU Plan combined with the Company's Stock Option Plan, shall not exceed 10%

of the Company's outstanding shares. In 2022 the Company approved an increase in the number of common shares to not exceed 4,000,000.

The DSU's vest 25% immediately on the award date, 25% on the one-year anniversary of the award date, 25% on the two-year anniversary of the award date and 25% on the three-year anniversary of the award date. Early vesting is provided in the event of termination without cause, resignation at the request of the Company, death, or on the occurrence of a change of control of the Company.

On October 16, 2020, the Company issued 2,000,000 DSUs to a director and officers of the Company with a total value of \$760,000. During the period ended May 31, 2023, the Company recognized \$47,474 (2022 - \$113,896) in share-based compensation expense for DSUs which have vested during the period. During the period ended May 31, 2023, 400,000 (2021 - 400,000) DSU's have vested.

During the year ended August 31, 2021, 100,000 DSUs were settled at \$0.38 per share and 300,000 DSUs were forfeited.

On May 2, 2022, the Company issued 760,000 DSUs to directors and officers of the Company with a total value of \$68,400. During the period ended May 31, 2023, the Company recognized \$11,107 (2022 - \$27,280) in share-based compensation expense for DSUs which have vested during the period. The DSUs awarded to the CEO vested 50% on issuance, and the balance will vest 50% on the first specified event and 50% on the second specified event. During the period ended May 31, 2023, 190,000 (2022 - 290,000) of these DSU's have vested.

No DSUs were exercised or forfeited during the period ended May 31, 2023. At May 31, 2023, there are 2,360,000 DSUs issued.

Warrants

As at May 31, 2023, there were 16,351,990 warrants outstanding. As at the date of this report, there were 16,351,990 warrants outstanding.

Escrowed shares

As at May 31, 2023, nil 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.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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:

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, 2023 the carrying values of cash, receivables, loans receivable, accounts payable and accrued liabilities and convertible promissory notes 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 was on its loan's receivable. This risk was 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, 2023, the Company had a cash balance of \$16,432 (August 31, 2022 - \$12,659) to settle accounts payable and accrued liabilities of \$3,126,617 (August 31, 2022 - \$2,081,597).

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.

As of May 31, 2023, these commitments required total payments, as follows:

	\$
Payable not later than one year	2,405,178
Payable later than one year and not later than five years	306,878
Payable later than five years	-
	2,712,055

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, 2023, 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, 2023, the Company had a foreign currency net monetary liability position of \$1,026,164 USD. Each 1% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain or loss of approximately \$12,316.
- 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 (the "Listing Statement") dated February 6, 2020 and the "Risk Factors: of the Annual Information Form dated January 14, 2022 as found under the Company's SEDAR profile.

Going Concern and Need for Additional Funds

The Company currently does not generate significant revenue from its operations and consequently is reliant on equity or other types of financing for its current short term and long-term working capital requirements and to fund its research and development programs, commercialize its technologies, and business development activities. Subsequent to period ended The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain necessary financing or other satisfactory arrangements to fund its operating expenses and interest expense until revenue generating contracts are obtained to allow the Company to be self-sufficient. The Company's ability to continue its research and development activities is dependent on management's ability to secure additional financing in the future, which may be completed by way of traditional equity financings or in a number of alternative ways including, but not limited to, a combination of: a rights offering; new strategic partnerships; joint venture arrangements; project-level or subsidiary-level third-party financings; royalty or streaming financing; the sale of non-core assets; and other capital market alternatives. Management is pursuing additional financial sources, and while the Company's management has been successful in obtaining financing for the Company in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

Impact of the Russia-Ukraine Conflict on the Global Economy

On February 24, 2022, Russian military forces launched a full-scale military invasion of Ukraine. In response, Ukrainian military personnel and civilians are actively resisting the invasion. Many countries throughout the world have provided aid to the Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in their resistance to the Russian invasion. The North Atlantic Treaty Organization ("NATO") has also mobilized forces to NATO member countries that are close to the conflict as deterrence to further Russian aggression in the region. The outcome of the conflict is uncertain and is likely to have wide ranging consequences on the peace and stability of the region and the world economy.

Certain countries including Canada and the United States, have imposed strict financial and trade sanctions against Russia and such sanctions may have far reaching effects on the global economy. The long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain. It is impossible to predict what Russia intends to do, nor the impact the sanctions will have, but a continuing invasion would almost certainly lead to significant economic disruptions worldwide that could impact the Company, its vendors and suppliers, and impose significant costs on the Company, including costs related to capital equipment and shipping.

Limited Number of Products and Clients

The Company is reliant on the development, marketing and use of its extraction and detection of target substances at the molecular level. If it does not achieve sufficient market acceptance, it will be difficult for the Company to achieve consistent profitability. In addition, the Company currently has a limited number of potential clients and its potential revenue could decrease substantially if it were to lose one of these potential clients.

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.

Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these financial statements, these conditions could have a significant adverse impact on the Company's financial position and results of operations for future periods.

COVID has resulted in some delays in the development of the Company's IXOS® product due to challenges associated with travel to and from mine sites of potential partners. While this has delayed some testing, the Company continues to progress testing where possible and expects to find a suitable potential partner for pilot scale testing in the coming months. Travel restrictions have also had an impact on the development of the Company's Affinity platform for the separation of cannabinoids. The Company has had one worker fall ill with COVID and has occasionally delayed travel and testing due to site specific lockdowns and quarantines. The Company is currently continuing the development of the AMIPs product as outlined above.

The continued spread of COVID-19 nationally and globally could also disrupt the Company's business and research activities, and result in a reduction in potential demand for the Company's products as a result of travel restrictions, work refusals by and mandatory accommodations for employees, changing demand by consumers, mass quarantines, confinements, lock-downs or government-imposed closures in Canada or abroad, which could adversely impact materially the Company's business, operations or financial results.

Since the latter part of February 2020, financial markets have experienced significant volatility in response to the COVID-19 pandemic and equity markets in particular experienced significant declines and then volatility. The continued spread of COVID-19 nationally and globally may impact the Company's ability raise sufficient capital in 2022.

Early Stage

The Company is an early-stage company with no revenues in the past two years. As such, the Company does 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, and has filed patent applications for 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 SARS CoV-2 virus responsible for COVID-19. At present, the Company has not yet developed functional prototypes of the AMIPs and collection and delivery devices described in the patent applications for virus detection. 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.

The Company also faces intense competition from other companies, some of which may have greater financial resources and more industry, engineering and marketing experience than the Company does.

Investment Risk

Any investment made in any of the Company's securities (debt or equity) should be considered as being highly speculative and of high risk. Any investor who acquires any of the Company's securities should ensure that these risky securities are suitable for the investor's portfolio objectives and risk tolerances. The Company recommends that any investor interested

in acquiring or holding any securities of the Company seek and obtain the advice of a professional and registered independent investment advisor. Any investor who acquires and holds any of the Company's securities may lose all of the money that was invested to acquire those securities.

The Company does not plan on paying any dividends on its Common Shares in the foreseeable future.

The Company's Common Shares are listed for trading on the CSE; however, there can be no assurance that an active and liquid market for the common shares will be maintained, and an investor may find it difficult to resell such shares without causing price changes. There is no active or liquid market for the convertible debentures that the Company has issued to investors. An investor may find it difficult to resell such securities.

There is no assurance the Company will continue to meet the listing requirements of the CSE.

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 for any of its currently proposed applications. 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 Use of AMIP Products

The technology behind the AMIP products is still in its early stages and the technology may not be effective when fully developed. Even in the event the technology is effective when fully developed, the successful use of the AMIP products depends on the user following the instructions provided. Users may experience difficulty in performing tests using AMIP products, especially if they fail to follow the instructions provided or misuse the products. This may result in the test results returning false positives or false negatives, thereby harming the ability of the Company to achieve the broad degree of adoption necessary for commercial success or cause negative publicity and word-of-mouth as a result of the products not meeting user expectations. Furthermore, the detection provided by AMIP products may become obsolete in the event vaccination levels reach a point whereby detection and testing is no longer necessary. Accordingly, the Company's operating results and financial condition may be adversely affected, which may delay, prevent or limit the Company's ability to generate revenue and continue business operations.

Risks Related to Regulatory Approvals

A portion of the business of the Company relies on the receipt of regulatory approvals and permits necessary to conduct business operations, especially with respect to IXOS® and AMIP products. The Company will apply for the necessary permits and regulatory approvals but there is no such guarantee that such permits and regulatory approvals will be obtained. Any failure to comply with applicable laws and regulations as a result of the lack of regulatory approvals or permits, even if inadvertent, could result in enforcement actions thereunder including orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, fines, penalties or other liabilities. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of such laws or regulations.

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.

Risks Relating to Government Regulation

The Company's operations are subject to laws and regulations governing occupational health and safety, labour standards, employment, waste disposal, handling of toxic substances, land and water use, environmental protection and other matters. It is possible that the Company may not be able to comply with existing and future laws and regulations. In addition, future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes to the terms of agreements or arrangements that the Company has with partners, clients and customers, which could have a material adverse impact on the Company's current operations and future projects. The Company may experience increased costs and delays as a result of the need to comply with applicable laws and regulations.

Any failure to comply with applicable laws and regulations, even if inadvertent, could result in enforcement actions thereunder including orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, fines, penalties or other liabilities. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of such laws or regulations.

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 *Controlled Substances Act* (21 U.S.C. § 801 et. seq.) (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, at least 33 states, plus the District of Columbia, have legalized cannabis for comprehensive medical or recreational use, and the 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, State laws regulating cannabis are in direct conflict with the Federal CSA, which makes cannabis use and possession federally illegal. Although certain states authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law may apply.

Under the Federal CSA, the policies and regulations of the United States Federal Government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. Even in those states in which the use of cannabis has been legalized, its use, cultivation, sale and distribution remains a violation of federal law. Any person connected to the cannabis industry in the U.S. may be at risk of federal criminal prosecution and civil liability in the United States. Any investments may be subject to civil or criminal forfeiture and total loss.

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.

However, on January 4, 2018, then Attorney General Jeff 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.

United States 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. It remains to be seen whether the incoming Biden administration will alter the approach to enforcement of federal cannabis laws.

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, 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 6WIC and 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 the 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 marijuana 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 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 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 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 its February 2014 memorandum, FinCEN stated 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 incoming 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.

Unfavorable tax treatment of cannabis businesses

Under Section 280E (“Section 280E”) of the U.S. *Internal Revenue Code of 1986* as amended (the “U.S. Tax Code”), “no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of the Federal CSA) which is prohibited by Federal law or the law of any State in which such trade or business is conducted.” This provision has been applied by the U.S. Internal Revenue Service (the “IRS”) to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses. Therefore, a minor non-compliance with applicable statutes and associated regulations related to the cannabis industry could result in the Company’s inability to deduct certain expenses and significant tax liabilities.

EACH SHAREHOLDER SHOULD SEEK TAX ADVICE, BASED ON SUCH SHAREHOLDER’S PARTICULAR CIRCUMSTANCES, FROM AN INDEPENDENT TAX ADVISOR.

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.

Environmental Risk

Although all testing to date has shown that the IXOS® and Affinity™ technology is benign in the environment, the IXOS® and Affinity™ technology has not yet been approved for use by regulatory agencies (in jurisdictions where such approval may be required) and it has not been tested in all conditions for which there might be unanticipated reactions. If there are regulatory issues or unknown environmental impacts, the business plan of the Company could be negatively affected.

Attracting and Retaining Quality Employees

The Company's business is dependent upon attracting and retaining quality employees with the skills required particularly with respect to teaching. The inability of the Company to hire, train and retain employees may adversely affect operations and could have an adverse effect on sales. The Company's ability to meet its labour needs while controlling the costs associated with hiring and training new employees is subject to external factors such as unemployment levels, prevailing wage rates, government legislation and changing demographics. Changes that adversely impact the Company's ability to attract and retain quality employees could adversely affect its business.

Competition

The Company will compete with companies and firms that have substantially greater financial and technical resources than the Company in respect of the development of technologies and the recruitment and retention of qualified employees and other service providers. The Company's IXOS®, Affinity™ and AMIPs products are intended to compete with a long-established technology with substantial existing market participants. There can be no assurance that the Company will be successful in convincing mining companies to adopt the Company's technology. The cannabinoid extraction industry is very early stage, with unknown demand for the Company's technology, and with limited ability to identify potentially competing technologies that may be under development by other companies.

Foreign Country Risks

The Company's product development and sales activities related to the mineral resource sector are frequently tied to mine sites, which may be located in countries with social, political and economic policies that differ from Canada's or those of the U.S. Governmental policies may be adopted to discourage foreign investment; nationalization of certain industries may occur; and other unforeseen limitations, restrictions or requirements may be implemented. There can be no assurance that the Company's assets will not be subject to nationalization, expropriation, requisition or confiscation, whether legitimate or not, by any authority or body. There can also be no assurance that adverse developments such as terrorism, military repression, civil unrest, crime, extreme fluctuations in currency exchange rates or high inflation will not occur.

Dependence on Management

The Company will be very dependent upon the personal efforts and commitment of its management. To the extent that management's services are unavailable for any reason, a disruption to the operations of the Company could result and other persons would be required to manage and operate the Company.

Price Volatility of Common Shares

The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's control.

In recent years, the securities markets in the U.S. and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in price of the Common Shares will not occur. The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements the Company makes, general economic and political conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the Common Shares.

The COVID-19 outbreak, and the response of governmental authorities to try to limit it, are having a significant impact on the securities markets in the U.S. and Canada. Since the COVID-19 outbreak commenced, the securities markets in the U.S. and Canada have experienced a high level of price and volume volatility and wide fluctuations in the market prices of

securities of many companies, which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration may adversely impact the price of the Common Shares.

Limited Market for Securities

The Company's Common Shares are listed on the CSE. There can be no assurance that an active and liquid market for the Common Shares will be maintained and an investor may find it difficult to resell any securities of the Company.

Dilution

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company and the Company's revenue per share. The Board has discretion to determine the price and the terms of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of Options under the Company's Option plan and upon the exercise of the outstanding Warrants. The Company may also issue Common Shares to finance future acquisitions. The Company cannot predict the size of future issuances of Common Shares or the effect that future issuances and sales of Common Shares will have on the market price of the Common Shares. Issuances of a substantial number of additional Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares.

Conflicts of Interest

The Company's directors and officers may serve as directors and officers, or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the BCBCA in dealing with conflicts of interest. These provisions state, where a director/officer has such a conflict, that the director/officer must at a meeting of the board, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by BCBCA. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

Dividends

The Company has not declared or paid any dividends on its Common Shares and does not currently have a policy on the payment of dividends. For the foreseeable future, the Company anticipates that it will retain future earnings and other cash resources for the operation and developments of its business. The payment of any future dividends will depend upon earnings and the Company's financial condition, current and anticipated cash needs and such other factors as the directors of the Company consider appropriate.

Costs and Compliance Risks

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

The Company also expects these rules and regulations may make it more difficult and more expensive for it to obtain director and officer liability insurance, and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for the Company to attract and retain qualified individuals to serve on its board of directors or as executive officers.

Further, there are fees associated with acquiring, and renewing, licenses. However, the specific amount of such fees has yet to be determined and may vary based on several factors. There are no assurances that, when the applicable time comes, the Company will have the capital necessary to acquire (or continue to renew) the licenses necessary to carry out its business plan. Given the necessity of such licenses, failure to possess the necessary licenses (regardless of the reason) would have a material impact on the financial condition of the Company.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their

implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations, which could result in the issuance of cease trade orders by securities regulators and limit trading in the Company's securities. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company's securities.

Insurance

The Company's business activities involve numerous risks, including unexpected or unusual operating conditions and other environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could negatively affect the Company's profitability and financial position and the value of the Common Shares. The Company does not maintain insurance against environmental risks.

Further, because the Company's technology development activities include the cannabis industry as a potential application, it may have a difficult time obtaining the various insurances that are desired to operate this portion of its business, which may expose it to additional risk and financial liabilities. Insurance that is otherwise readily available, such as workers compensation, general liability, and directors and officers insurance, may be more difficult for the Company to find, and more expensive, if the Company is considered to be engaged in the cannabis industry. There are no guarantees that the Company will be able to find such insurances in the future, or that the cost will be affordable to the Company. If the Company is forced to go without such insurances, that may prevent or inhibit it from entering into certain business sectors, or cause it to make more cautious business decisions, which may inhibit its growth, and may expose it to additional risk and financial liabilities.

Lithium Demand

The Company owns 100% of Geolithic Corp., and has granted Geolithic an exclusive license to use the Company's MIP technology for the extraction of lithium. The Company's ability to derive revenues from the application of its technology to the extraction of lithium will depend on the successful development of technology for this application and Geolithic's ability to achieve revenues through the direct extraction and sale of lithium, through the provision of extraction services to lithium producers or through the further sublicensing of the technology for use by lithium producers.

Lithium is considered an industrial mineral and the sales prices for the different lithium compounds are not public. Lithium is not a traded commodity like base and precious metals. Sales agreements are negotiated on an individual and private basis with each different end-user. There are a limited number of producers of lithium compounds and it is possible that these existing producers will try to prevent new-comers from entering the chain of supply by increasing their production capacity and lowering sales prices. Factors such as foreign currency fluctuation, supply and demand, industrial disruption and actual lithium market sale prices could have an adverse impact on Geolithic's operating costs and on the Company's ability to fund its activities.

Unfavorable Publicity or Consumer Perception

The legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and is expected to continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company and its subsidiaries. Further, adverse publicity, reports or other media attention regarding cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect.

Public opinion and support for medical and adult use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical cannabis as opposed to legalization in general).

The ability to gain and increase market acceptance of Company's products may require the Company or its subsidiaries to establish and maintain its brand name and reputation. In order to do so, substantial expenditures on product development, strategic relationships and marketing initiatives may be required. There can be no assurance that these initiatives will be successful and their failure may have an adverse effect on the Company or its subsidiaries.

Further, a shift in public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the U.S. or elsewhere. A negative shift in the perception of the public with respect to medical cannabis in the U.S.

or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on its business, financial condition and results of operations.

Negative Cash Flow for the Foreseeable Future

The Company has no history of earnings or cash flow from operations. The Company does not expect to generate material revenue or achieve self-sustaining operations for several years, if at all. To the extent that the Company has negative cash flow in future periods, the Company may need to allocate a portion of its cash reserves to fund such negative cash flow.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company may experience some changes in its operating plans and certain delays in the timing of its plans. As a result, the Company's revenue, net income and cash flow could differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than expected, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in this AIF, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease.

There are factors which may prevent the Company from the realization of growth targets.

The Company is currently in the early development stage. There is a risk that additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these "Risk Factors" and the following:

- delays in obtaining, or conditions imposed by various governmental agencies regarding regulatory, environmental, construction approvals and commercial cannabis licensing;
- evolving legal landscape of a newly implemented cannabis regulatory scheme;
- legal uncertainty caused by a lack of uniformity between state and U.S. federal authorities and policies coupled with the uncertainty of future U.S. federal legislation regarding the classification of marijuana as a controlled substance;
- the potential federal enforcement of relevant federal laws prohibiting the production and sale of marijuana;
- future increases to the costs of maintaining regulatory compliance;
- facility design errors;
- environmental pollution; non-performance by third party contractors; increases in materials or labour costs; construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- operational inefficiencies;
- labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities;
- major incidents and/or catastrophic events such as fires, earthquakes, floods, explosions or
- storms; and
- securing adequate financing.

The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data.

Because the cannabis industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and,

few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete, and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may be subject to product recalls for product defects self-imposed or imposed by regulators.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Protection and Enforcement of Intellectual Property Rights

The Company regards the protection of its copyrights, service marks, trademarks, trade dress and trade secrets as critical to its future success and relies on a combination of copyright, trademark, service mark and trade secret laws and contractual restrictions to establish and protect its proprietary rights in products and services. The Company has entered into confidentiality and invention assignment agreements with its officers and contractors, and nondisclosure agreements with parties with which it conducts business in order to limit access to and disclosure of its proprietary information. There can be no assurance that these contractual arrangements or the other steps taken by the Company to protect its intellectual property will prove sufficient to prevent misappropriation of the Company's technology or to deter independent third party development of similar technologies.

To date, the Company has not been notified that its technologies infringe the proprietary rights of third parties, but there can be no assurance that third parties will not claim infringement by the Company with respect to past, current or future technologies. The Company expects that participants in its markets will be increasingly subject to infringement claims as the number of services and competitors in the Company's industry segment grows. Any such claim, whether meritorious or not, could be time consuming, result in costly litigation, cause service upgrade delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements might not be available on terms acceptable to the Company or at all. As a result, any such claim could have a material adverse effect upon the Company's business, results of operations and financial condition.

The Company will be reliant on information technology systems and may be subject to damaging cyberattacks.

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction,

fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations. The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Litigation Risks

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Commercial success of the Company will depend in part on not infringing upon the patents and proprietary rights of other parties and enforcing its own patents and proprietary rights against others. The research and development programs will be in highly competitive fields in which numerous third parties have issued patents and pending patent applications with claims closely related to the subject matter of the Company's programs. The Company is not currently aware of any litigation or other proceedings or claims by third parties that its technologies or methods infringe on their intellectual property.

While it is the practice of the Company to undertake pre-filing searches and analyses of developing technologies, they cannot guarantee that they have identified every patent or patent application that maybe relevant to the research, development, or commercialization of its products. Moreover, the Company can provide no assurance that third parties will not assert valid, erroneous, or frivolous patent infringement claims.

Sufficiency of Capital

Should the Company's costs and expenses prove to be greater than currently anticipated, or should the Company change its current business plan in a manner that will increase or accelerate its anticipated costs and expenses, the depletion of its working capital would be accelerated. To the extent it becomes necessary to raise additional cash in the future as its current cash and working capital resources are depleted, the Company will seek to raise it through the public or private sale of assets, debt or equity securities, the procurement of advances on contracts or licenses, funding from joint-venture or strategic partners, debt financing or short-term loans, or a combination of the foregoing. The Company may also seek to satisfy indebtedness without any cash outlay through the private issuance of debt or equity securities. The Company cannot guarantee that it will be able to secure the additional cash or working capital it may require to continue our operations. Failure by the Company to obtain additional cash or working capital on a timely basis and in sufficient amounts to fund its operations or to make other satisfactory arrangements may cause the Company to delay or indefinitely postpone certain of its activities, including potential acquisitions, or to reduce or delay capital expenditures, sell material assets, seek additional capital (if available) or seek compromise arrangements with its creditors. The foregoing could materially and adversely impact the business, operations, financial condition and results of operations of the Company.

Risks Associated with Future Acquisitions

If appropriate opportunities present themselves, the Company intends to acquire businesses, technologies, services or products that the Company believes are strategic. The Company currently has no understandings, commitments, or agreements with respect to any other material acquisition and no other material acquisition is currently being pursued. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service, or product into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any such future acquisitions of other businesses, technologies, services or products might require the Company to obtain additional equity or debt financing, which might not be available on terms favourable to the Company, or at all, and such financing, if available, might be dilutive.

Global Economy Risk

The ongoing economic slowdown and downturn of global capital markets has generally made the raising of capital by equity or debt financing more difficult. Access to financing has been negatively impacted by the ongoing global economic risks. As

such, the Company is subject to liquidity risks in meeting our development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favourable to the Company. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Common Shares on the stock exchange.

Loss of Foreign Private Issuer Status

The Company is a Foreign Private Issuer as defined in Rule 405 under the *U.S. Securities Act of 1933*, as amended (the "U.S. Securities Act") and Rule 3b-4 under the *U.S. Securities Exchange Act of 1934*, as amended (the "U.S. Exchange Act"). If, as of the last business day of the Company's second fiscal quarter for any year, more than 50% of the Company's outstanding voting securities (as determined under Rule 405 of the U.S. Securities Act) are directly or indirectly held of record by residents of the U.S., the Company will no longer meet the definition of a Foreign Private Issuer, which may have adverse consequences on the Company's ability to raise capital in private placements or Canadian prospectus offerings. In addition, the loss of the Company's Foreign Private Issuer status may likely result in increased reporting requirements and increased audit, legal and administration costs. These increased costs may significantly affect the Company's business, financial condition and results of operations. The term "Foreign Private Issuer" is defined as any non-U.S. corporation, other than a foreign government, except any issuer meeting the following conditions:

- a) more than 50 percent of the outstanding voting securities of such issuer are, directly or indirectly, held of record by residents of the U.S.; and
- b) any one of the following:
 - (i) the majority of the executive officers or directors are U.S. citizens or residents, or
 - (ii) more than 50 percent of the assets of the issuer are located in the U.S., or
 - (iii) the business of the issuer is administered principally in the U.S.

A "holder of record" is defined by Rule 12g5-1 under the U.S. Exchange Act. Generally speaking, the holder identified on the record of security holders is considered as the record holder.

In December 2016, the U.S. Securities and Exchange Commission (the "SEC") issued a Compliance and Disclosure Interpretation to clarify that issuers with multiple classes of voting stock carrying different voting rights may, for the purposes of calculating compliance with this threshold, examine either (i) the combined voting power of its share classes, or (ii) the number of voting securities, in each case held of record by U.S. residents. Based on this interpretation, each issued and outstanding Common Share is counted as one voting security for the purposes of determining the 50 percent U.S. resident threshold and the Company is a "Foreign Private Issuer".

Should the SEC's guidance and interpretation change, it is likely the Company will lose its Foreign Private Issuer status.

The Company's contracts may not be legally enforceable in the U.S.

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

The Company may lack access to U.S. bankruptcy protections.

Because cannabis is a Schedule I substance under the Federal CSA, many courts have denied cannabis businesses federal bankruptcy protections, making it difficult for lenders to be made whole on their investments in the cannabis industry in the event of a bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Company, which would have a material adverse effect.

Canadian investors in the Common Shares and the Company's directors, officers and employees may be subject to travel and entry bans into the U.S.

News media have reported that U.S. immigration authorities have increased scrutiny of Canadian citizens who are crossing the U.S.–Canada border with respect to persons involved in cannabis businesses in the U.S. There have been a number of Canadians barred from entering the U.S. as a result of an investment in or act related to U.S. cannabis businesses. In some cases, entry has been barred for extended periods of time.

The majority of persons travelling across the Canadian and U.S. border do so without incident. Some persons are simply denied entry one time. The U.S. Department of State and the Department of Homeland Security have indicated that the U.S. has not changed the admission requirements in response to the pending legalization of recreational cannabis in Canada. Admissibility to the U.S. may be denied to any person working or 'having involvement in' the marijuana industry according to U.S. Customs and Border Protection. Additionally, legal experts have indicated that if the admission criteria are applied broadly, this may result in a determination that the act of investing in or working or collaborating with a U.S. cannabis company is considered trafficking in a Schedule I controlled substance or aiding, abetting, assisting, conspiring or colluding

in the trafficking of a Schedule I controlled substance. Inadmissibility in the U.S. implies a lifetime ban for entry as such designation is not lifted unless an individual applies for and obtains a waiver.

Company directors, officers or employees traveling from Canada to the U.S. for the benefit of the Company may encounter enhanced scrutiny by U.S. immigration authorities that may result in the employee not being permitted to enter the U.S. for a specified period of time. If this happens to Company directors, officers or employees, then this may reduce our ability to manage our business effectively in the U.S. The Company has retained counsel and has policies in place to deal with any immigration-related issues as they may arise

The lack of product for commercialization

If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company’s ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Company’s commercialization plans and the Company’s business, prospects, results of operations and financial condition.

Development of New Products

The Company’s success will depend, in part, on its ability to develop, introduce and market new and innovative products. If there is a shift in consumer demand, the Company must meet such demand through new and innovative products or else its business will fail. The Company’s ability to develop, market and produce new products is subject to it having substantial capital. There is no assurance that the Company will be able to develop new and innovative products or have the capital necessary to develop such products.

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	AIF 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.	<p><i>“General Development of the Business”</i></p> <p><i>“Description of Business”</i></p> <p><i>“Cannabis Legislation – Regulatory Framework”</i></p>
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	<p><i>“Cannabis Legislation – United States Federal Overview”</i></p> <p><i>“Risk Factors – Risks Relating to Government Regulation”</i></p>

	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.	<p><i>“Cannabis Legislation – Regulatory Overview - United States Federal Overview”</i></p> <p><i>“Risk Factors – Risks Relating to Government Regulation”</i></p> <p><i>“Risk Factors – Federal Regulation of Marijuana in the U.S.”</i></p>
	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.	<i>“Risk Factors – Protection and Enforcement of Intellectual Property Rights”</i>
	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.	<p><i>“Risk Factors – The Company anticipates requiring substantial additional financing to operate its business and it may face difficulties acquiring additional financing on terms acceptable to the Company or at all”</i></p> <p><i>“Risk Factors – Risk Factors Specifically Related to Regulatory Matters – U.S. State Regulatory Uncertainty”</i></p> <p><i>“Risk Factors – Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes”</i></p>
	Quantify the issuer’s balance sheet and operating statement exposure to U.S. marijuana-related activities.	<i>The Company estimates that 2.9% of its balance sheet as of May 31, 2021 relates to its marijuana related business. The Company has no marijuana related revenue.</i>
	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.	<i>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 Resulting Issuer and its U.S. counsel continue to monitor compliance very carefully.</i>
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.	N/A
	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.	N/A
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.	N/A

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