**CASHBOX VENTURES LTD.**

**(Formerly Wikileaf Technologies Inc.)**

**Condensed Interim Financial Statements**

**(Unaudited – In Canadian dollars)**

**As at and for the nine months ended September 30, 2022**

**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 indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Cashbox Ventures Ltd. (formerly Wikileaf Technologies Inc.)** | | | | | |  |  |
| **Condensed Interim Statements of Financial Position** | | | | | | |  |
| As at |  |  |  |  |  |  |  |
| (Unaudited - In Canadian dollars) | |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  | Note |  | September 30, 2022 |  | December 31, 2021 |
|  |  |  |  |  | $ |  | $ |
| **ASSETS** |  |  |  |  |  |  |  |
| **Current** |  |  |  |  |  |  |  |
| Cash |  |  |  |  | 702,880 |  | 156,315 |
| Accounts receivable | |  |  |  | 2,057 |  | 38,490 |
| Prepaid expenses | |  |  |  | 280,322 |  | 333,229 |
| Investment in publicly listed company | |  | 4 |  | 509,494 |  | - |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  | 1,494,753 |  | 528,034 |
| **Long-term** | |  |  |  |  |  |  |
| Investment in publicly listed company | |  | 4 |  | - |  | 4,000,535 |
| Equipment | |  |  |  | - |  | 1,341 |
|  |  |  |  |  |  |  |  |
| Total assets | |  |  |  | 1,494,753 |  | 4,529,910 |
|  |  |  |  |  |  |  |  |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | |  |  |  |  |  |  |
| **Current liabilities** | |  |  |  |  |  |  |
| Trade and other payables | |  |  |  | 7,157 |  | 224,575 |
| Current tax liabilities | |  |  |  | - |  | 76,898 |
| Note payable to related party | |  | 6 |  | - |  | 690,062 |
|  |  |  |  |  |  |  |  |
| **Total liabilities** | |  |  |  | 7,157 |  | 991,535 |
|  |  |  |  |  |  |  |  |
| **Shareholders' equity** | |  |  |  |  |  |  |
| Share capital | |  | 5 |  | 16,330,247 |  | 16,330,247 |
| Reserves |  |  | 5 |  | 4,873,894 |  | 4,839,627 |
| Accumulated other comprehensive income | |  |  |  | - |  | 53,626 |
| Deficit |  |  |  |  | (19,716,545) |  | (17,685,125) |
|  |  |  |  |  |  |  |  |
| **Total shareholders' equity** | |  |  |  | 1,487,596 |  | 3,538,375 |
|  |  |  |  |  |  |  |  |
| **Total liabilities and shareholders' equity** | |  |  |  | 1,494,753 |  | 4,529,910 |
|  |  |  |  |  |  |  |  |
| Going concern (Note 2) | |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| On behalf of the Board, | |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| /s/ Connor Cruise | |  |  |  | /s/ Murray Hinz |  |  |
| Director |  |  |  |  | Director |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| *The accompanying notes are an integral part of the condensed interim financial statements.* | | | | | | | |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Cashbox Ventures Ltd. (formerly Wikileaf Technologies Inc.)** | | | | | | | | | |
| **Condensed Interim Statements of Comprehensive Income (Loss)** | | | | | | | | | |
| (Unaudited - in Canadian dollars) |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  | **For the three months ended** | | |  | **For the nine months ended** | | |
|  | Note |  | **September 30, 2022** |  | **September 30, 2021** |  | **September 30, 2022** |  | **September 30, 2021** |
|  |  |  | $ |  | $ |  | $ |  | $ |
| **Revenue** |  |  | - |  | 12,831 |  | - |  | 67,745 |
|  |  |  |  |  |  |  |  |  |  |
| **Expenses** |  |  |  |  |  |  |  |  |  |
| Accretion expense | 6 |  | - |  | - |  | 8,272 |  | 4,734 |
| Depreciation |  |  | - |  | 1,156 |  | 1,341 |  | 3,468 |
| Insurance |  |  | 17,619 |  | 26,444 |  | 52,858 |  | 104,315 |
| Interest expense | 6 |  | - |  | - |  | 17,239 |  | - |
| Management fees with the parent company | 6 |  | - |  | - |  | - |  | 5,000 |
| Marketing |  |  | 2,785 |  | 56,365 |  | 2,785 |  | 101,617 |
| Office and administrative |  |  | 8,710 |  | 33,176 |  | 34,888 |  | 88,858 |
| Professional fees |  |  | (12,594) |  | 221,780 |  | 157,228 |  | 511,790 |
| Salaries and benefits | 6 |  | 37,626 |  | 188,649 |  | 168,141 |  | 746,146 |
| Share-based compensation | 5,6 |  | 18,062 |  | (86,077) |  | 34,267 |  | (1,270) |
|  |  |  |  |  |  |  |  |  |  |
| **Total expenses** |  |  | (72,208) |  | (441,493) |  | (477,019) |  | (1,564,658) |
|  |  |  |  |  |  |  |  |  |  |
| **Loss before other items** |  |  | (72,208) |  | (428,662) |  | (477,019) | - | (1,496,913) |
| **Other items:** |  |  |  |  |  |  |  |  |  |
| Sale and change in fair value of investment in publicly listed company | 4 |  | (273,450) |  | (481,026) |  | (1,704,649) |  | (481,026) |
| Foreign exchange gain (loss) |  |  | (956) |  | - |  | 150,557 |  | - |
| Gain on disposition of assets |  |  | - |  | 7,295,564 |  | - |  | 7,295,564 |
| Gain on sale of equipment |  |  | - |  | - |  | - |  | 2,400 |
|  |  |  |  |  |  |  |  |  |  |
| **Total other items** |  |  | (274,406) |  | 6,814,538 |  | (1,554,092) |  | 6,816,938 |
|  |  |  |  |  |  |  |  |  |  |
| **Income (loss) before income taxes** |  |  | (346,614) |  | 6,385,876 |  | (2,031,111) |  | 5,320,025 |
| Current income taxes |  |  | (94,191) |  | 7,557 |  | 309 |  | 7,557 |
|  |  |  |  |  |  |  |  |  |  |
| **Net income (loss)** |  |  | (252,423) |  | 6,378,319 |  | (2,031,420) |  | 5,312,468 |
| Item that will be reclassified subsequently to profit or loss |  |  |  |  |  |  |  |  |  |
| Foreign currency translation adjustment |  |  | 1,141 |  | 59,112 |  | (53,626) |  | (8,266) |
|  |  |  |  |  |  |  |  |  |  |
| **Net comprehensive income (loss)** |  |  | (251,282) |  | 6,437,431 |  | (2,085,046) |  | 5,304,202 |
|  |  |  |  |  |  |  |  |  |  |
| **Basic and diluted income (loss) per share** |  |  | (0.002) |  | 0.044 |  | (0.014) |  | 0.038 |
|  |  |  |  |  |  |  |  |  |  |
| **Weighted average number of common shares outstanding** |  |  |  |  |  |  |  |  |  |
| Basic and diluted |  |  | 148,752,477 |  | 145,145,490 |  | 148,752,477 |  | 139,073,316 |
|  |  |  |  |  |  |  |  |  |  |
| *The accompanying notes are an integral part of the condensed interim financial statements.* | | | | | | | | | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Cashbox Ventures Ltd. (formerly Wikileaf Technologies Inc.)** | | | | | | | | | | | | | | | | | | | | | |  | |
| **Condensed Interim Statements of Shareholders' Equity** | | | | | | | | | | | | | | | | | | |  | | |  | |
| (Unaudited - in Canadian dollars) | |  | | | |  | | |  | | |  | | |  | | | |  | | |  | |
|  | |  | | | |  | | |  | | |  | | |  | | | |  | | |  | |
|  | |  | | | |  | | |  | | |  | | |  | | | |  | | |  | |
|  |  | | |  | | |  | | |  | | | **Other Comprehensive Income (Loss)** | | |  | | **Total Shareholders’ Equity** | | |
|  |  | | | **Share Capital** | | | | | |  | | |  | |
|  | **Note** | | | **Number** | | | **Amount** | | | **Reserves** | | | **Deficit** | |
|  |  | | |  | | | $ | | | $ | | | $ | | | $ | | $ | | |
| **December 31, 2020** |  | | | 119,765,484 | | | 14,982,206 | | | 4,893,306 | | | 58,437 | | | (19,825,398) | | 108,551 | | |
| Private placement | 5 | | | 19,000,000 | | | 950,000 | | | - | | | - | | | - | | 950,000 | | |
| Share issuance costs | 5 | | | - | | | (20,000) | | | - | | | - | | | - | | (20,000) | | |
| Conversion of convertible notes | 5 | | | 6,094,681 | | | 304,734 | | | - | | | - | | | - | | 304,734 | | |
| Exercise of restricted stock units | 5 | | | 1,750,000 | | | 94,600 | | | (94,600) | | | - | | | - | | - | | |
| Share-based compensation | 5 | | | - | | | - | | | (1,270) | | | - | | | - | | (1,270) | | |
| Foreign currency translation adjustment |  | | | - | | | - | | | - | | | (8,266) | | | - | | (8,266) | | |
| Net loss |  | | | - | | | - | | | - | | | - | | | 5,312,468 | | 5,312,468 | | |
| **Balance, September 30, 2021** |  | | | 146,610,165 | | | 16,311,540 | | | 4,797,436 | | | 50,171 | | | (14,512,930) | | 6,646,217 | | |
|  |  | | |  | | |  | | |  | | |  | | |  | |  | | |
| **December 31, 2021** |  | | | 148,752,477 | | | 16,330,247 | | | 4,839,627 | | | 53,626 | | | (17,685,125) | | 3,538,375 | | |
| Share-based payments | 5 | | | - | | | - | | | 34,267 | | | - | | | - | | 34,267 | | |
| Foreign currency translation adjustment |  | | | - | | | - | | | - | | | (53,626) | | | - | | (53,626) | | |
| Net loss |  | | | - | | | - | | | - | | | - | | | (2,031,420) | | (2,031,420) | | |
| **Balance, September 30, 2022** |  | | | 148,752,477 | | | 16,330,247 | | | 4,873,894 | | | - | | | (19,716,545) | | 1,487,596 | | |
|  | | |  | |  | | |  | | |  | | |  | | |  | | |  | | |

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Cashbox Ventures Ltd. (formerly Wikileaf Technologies Inc.)** | | | | |
| **Condensed Interim Statement of Cash Flows** | | | |  |
| (Unaudited - in Canadian dollars) |  |  |  |  |
|  |  | **For the nine months ended September 30, 2022** |  | **For the nine months ended September 30, 2021** |
|  |  | $ |  | $ |
| **OPERATING ACTIVITIES** |  |  |  |  |
| Income (loss) for the period |  | (2,031,420) |  | 5,312,468 |
| Items not involving cash: |  |  |  |  |
| Accretion expense |  | 8,272 |  | - |
| Depreciation |  | 1,341 |  | 3,468 |
| Interest expense |  | - |  | 4,734 |
| Share-based compensation |  | 34,267 |  | (1,270) |
| Change in fair value of investment in publicly listed company shares |  | 1,704,649 |  | 481,026 |
| Foreign exchange |  | (53,626) |  | - |
| Gain on disposition of assets |  | - |  | (7,295,564) |
| Gain on disposition of equipment |  | - |  | (2,400) |
| Changes in non-cash working capital items: |  |  |  |  |
| Accounts receivable |  | 36,433 |  | (14,222) |
| Prepaid expenses |  | 52,907 |  | 21,894 |
| Accounts payable and accrued liabilities |  | (217,418) |  | 49,014 |
| Taxes payable |  | (76,898) |  | 7,633 |
| **Cash used in operating activities** |  | (541,493) |  | (1,433,219) |
|  |  |  |  |  |
| **INVESTING ACTIVITIES** |  |  |  |  |
| Proceeds from sale of shares in publicly listed company |  | 1,786,392 |  | - |
| Proceeds from disposal of equipment |  | - |  | 2,400 |
| **Cash provided by investing activities** |  | 1,786,392 |  | 2,400 |
|  |  |  |  |  |
| **FINANCING ACTIVITIES** |  |  |  |  |
| Repayment of note payable to related party |  | (698,334) |  | - |
| Issuance of private placement units |  | - |  | 950,000 |
| Issuance of convertible notes |  | - |  | 300,000 |
| Share issuance costs |  | - |  | (20,000) |
| **Cash provided by (used in) financing activities** |  | (698,334) |  | 1,230,000 |
|  |  |  |  |  |
| **Foreign exchange effect on cash** |  | - |  | (8,184) |
| **Increase in cash** |  | 546,565 |  | (209,003) |
| **Cash, beginning of the period** |  | 156,315 |  | 286,248 |
| **Cash, end of period** |  | 702,880 |  | 77,245 |
|  |  |  |  |  |

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

**1. NATURE OF OPERATIONS**

Cashbox Ventures Ltd. (the “Company") (formerly Wikileaf Technologies Inc.) was incorporated under the British Columbia Business Corporations Act on April 3, 2018. The Company's head office is in Federal Way, Washington.

The Company owned 100% of the issued and outstanding shares of One Web Services, Inc. (hereafter "One Web") and OWS Canada, Inc. On April 1, 2022 and June 27, 2022, OWS Canada Inc. and One Web were dissolved, respectively. All comparative figures are on a consolidated basis.

The Company together with One Web operated wikileaf.com, an online price comparison website, to help consumers find location-based pricing information about individual cannabis strains and products, which was the Company's only operating segment, until the assets were sold on September 15, 2021.

On March 31, 2021, the parent company of the Company, Feather Company Ltd. (formerly Nesta Holdings Co. Ltd.), sold a portion of the common shares of the Company to a third party and, as a result, it no longer had control over the Company; however, it exercised significant influence. During the year ended December 31, 2021, Feather Company Ltd. sold the remainder of the common shares it held in the Company to various third parties and, as a result, no longer has significant influence on the Company.

On November 3, 2021, the Company changed its name from Wikileaf Technologies Inc. to Cashbox Ventures Ltd.

The Company is listed on the Canadian Securities Exchange (CSE) under the ticker "CBOX.X" (formerly "WIKI").

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company’s environment and in the global markets, possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Company’s activities. The extent of the impact of this outbreak and related containment measures on the Company’s activities cannot be reliably estimated at the date of approval of these Condensed interim financial statements.

1. **GOING CONCERN**

The accompanying condensed interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), in particular on the assumption that the Company will continue as a going concern, meaning it will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

Since its inception, the Company has incurred operating losses. As at September 30, 2022, the Company has an accumulated deficit of $19,716,545 ($17,685,125 as at December 31, 2021). The Company has not yet completed its efforts to establish a stabilized source of revenue sufficient to cover operating expenses and relies on support from its shareholders or external financing to cover such expenses.

On September 15, 2021, the Company sold all of its digital and intangible assets (hereafter the "Assets") for share consideration of the publicly listed company Fire & Flower Holdings Corp., based on the ten-trading day volume weighted average price of the shares as of the date of the agreement.

Although the Company was successful in raising funds in the past and is able to liquidate its investment in the publicly listed shares as a source of funding, there is no assurance that the Company will be successful in its future endeavours or become viable and continue as a going concern. Consequently, these material uncertainties raise significant doubt regarding the Company's ability to continue as a going concern.

The carrying amounts of assets, liabilities, revenues and expenses presented in the condensed interim financial statements and the condensed interim statements of financial position classification have not been adjusted as would be required if the going concern assumption were not appropriate.

1. **BASIS OF PRESENTATION**

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

These condensed interim financial statements follow the same accounting policies and methods of application as the Company’s audited financial statements for the year ended December 31, 2021. The policies applied in these condensed interim financial statements are based on IFRS issued as of the date the Board of Directors approved the financial statements. These condensed interim financial statements should be read in conjunction with the Company’s annual audited financial statements for the year ended December 31, 2021.

These condensed interim financial statements were authorized for issue by the Board of Directors on November 1, 2022.

1. **Significant judgments, estimates and assumptions**

The preparation of the Company’s condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the Condensed interim financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Critical judgements exercised in applying accounting polices that have the most significant effect on the amounts recognized in the Condensed interim financial statements are as follows:

*Recognition of deferred tax assets*

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized;

*Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenses and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that could impact the carrying amount of assets and liabilities:

*Share-based compensation*

The estimation of share-based compensation's fair value and expense requires the selection of an appropriate pricing model.

The model used by the Company for stock options is the Black-Scholes pricing model. The Black-Scholes model requires the Company to make significant judgments regarding the assumptions used within the model, the most significant of which are the expected volatility of the Company's own common shares, the probable life of options granted, the time of exercise, the risk-free interest rate commensurate with the term of the options, and the expected dividend yield.

*Income taxes*

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

1. **INVESTMENT IN PUBLICLY LISTED COMPANY**

The Company’s investment is fair valued at the end of each reporting period. The fair value of the common shares of the publicly traded company have been directly referenced to published price quotations in an active market. The carrying value is marked to market and the resulting gain or loss from the investment is recorded against earnings. The Company’s investment is as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |
|  | | **Number of shares held** |  | **Investment cost** |  | **Fair value at September 30, 2022** |
|  |  |  |  | $ |  | $ |
| Fire and Flower Holdings Corp. |  | 314,500 |  | 2,861,951 |  | 509,494 |

During the period ended September 30, 2022, the Company sold 487,210 shares for gross proceeds of $1,786,392. This resulted in a loss on sale of $2,647,218 (2021 - $Nil). As at September 30, 2022, the Company revalued the remaining shares which resulted in an unrealized gain of $942,569 (2021 - $Nil). Accordingly, the Company recognized a loss of $1,704,649 recorded as change in fair value of investment in publicly listed company in the condensed interim statement of comprehensive income (loss).

**5. SHARE CAPITAL**

**Authorized share capital**

Unlimited number of common shares without par value.

There were no movements in share capital during the nine months ending September 30, 2022. The Company had 148,752,477 common shares issued and outstanding as at September 30, 2022.

During the nine months ending September 30, 2021, the Company:

* On March 4, 2021, announced a private placement whereby it issued a total of 19,000,000 units at a price of $0.05 per unit for gross proceeds of $950,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.075 for a period of two years from the date of closing. Upon closing, the Company paid $20,000 as finder fees;
* On January 15, 2021, issued convertible notes in the amount of $300,000, bearing interest at an annual rate of 12%. The convertible notes mature after one year and are convertible into common shares or, in the event the Company completes an equity financing prior to April 15, 2021, the holder of the notes is obligated to convert their notes and accrued interest thereon into equity instruments on the same terms of the equity financing. In the event the holder of the notes does not exercise their conversion rights, the Company shall repay the notes with interest on the maturity date. On March 4, 2021, the convertible notes and their accrued interest of $4,734 were converted into units at the same terms as the March 4, 2021 private placement described above, resulting in the issuance of 6,094,681 units. The fair value of the Company's share price at the date of issuance of the units was $0.055, which is higher than the unit price, and, as a result, the entire amount of proceeds was allocated to the common shares issued. No amount was allocated to the warrants; and
* The Company issued 1,750,000 common shares upon the exercise of 1,750,000 restricted stock units (“RSUs”).

**Warrants**

The Company had the following warrants outstanding as at September 30, 2022:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Number of warrants |  | Weighted average exercise price |
|  |  |  | $ |
| Balance, December 31, 2020 | - |  | - |
| Granted | 26,594,681 |  | 0.07 |
| Exercised | - |  | - |
| Balance, December 31, 2021 and September 30, 2022 | 26,594,681 |  | 0.07 |
|  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Outstanding |  | Exercisable |  | Exercise Price |  | Expiry Date |
|  |  |  |  | $ |  |  |
| 25,094,681 |  | 25,094,681 |  | 0.075 |  | March 4, 2023 |
| 1,500,000 |  | 1,500,000 |  | 0.06 |  | October 28, 2024 |
|  |  |  |  |  |  |  |
| 26,594,681 |  | 26,594,681 |  |  |  |  |
|  |  |  |  |  |  |  |

**Stock options**

The Company has adopted a 15% rolling Stock Option Plan (the “Plan”). Under the Plan, the Company may grant stock options to directors, officers, employees and consultants of the Company. The terms and conditions of the options are determined by the Board of Directors.

The Company had the following stock options outstanding as at September 30, 2022:

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | Number of options | | |  | Weighted average exercise price | |
|  | | | | | | |  | | |  | $ | |
| Balance, December 31, 2020 | | | | | | | 12,347,900 | | |  | 0.13 | |
| Granted | | | | | | | 1,000,000 | | |  | 0.07 | |
| Exercised | | | | | | | (392,312) | | |  | 0.01 | |
| Forfeited | | | | | | | (6,983,008) | | |  | 0.10 | |
| Balance, December 31, 2021 | | | | | | | 5,972,580 | | |  | 0.16 | |
| Granted | | | | | | | 4,610,000 | | |  | 0.03 | |
| Cancelled | | | | | | | (925,505) | | |  | 0.23 | |
| Balance, September 30, 2022 | | | | | | | 9,657,075 | | |  | 0.10 | |
|  | | | | | | |  | | |  |  | |
|  |  |  |  |  |  |  | |  |  | | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Outstanding |  | Exercisable |  | Exercise Price |  | Expiry Date |  | Weighted average remaining life (in years) |
|  |  |  |  | $ |  |  |  |  |
| 260,000 |  | 260,000 |  | 0.03 |  | May 31, 2023 |  | 0.67 |
| 784,624 |  | 784,624 |  | 0.01 |  | June 1, 2026 |  | 3.67 |
| 392,312 |  | 392,312 |  | 0.05 |  | January 1, 2028 |  | 5.26 |
| 341,660 |  | 341,660 |  | 0.15 |  | October 10, 2028 |  | 6.03 |
| 1,608,479 |  | 1,608,479 |  | 0.18 |  | November 26, 2028 |  | 6.16 |
| 1,500,000 |  | 1,500,000 |  | 0.25 |  | January 16, 2030 |  | 7.30 |
| 200,000 |  | 200,000 |  | 0.05 |  | November 23, 2030 |  | 8.15 |
| 220,000 |  | 220,000 |  | 0.07 |  | February 19, 2031 |  | 8.39 |
| 4,350,000 |  | - |  | 0.03 |  | April 28, 2032 |  | 9.58 |
|  |  |  |  |  |  |  |  |  |
| 9,657,075 |  | 5,307,075 |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

On April 28, 2022, the Company granted 4,350,000 stock options to officers and directors of the Company. The stock options will be vested 1/3rd each on the 12, 24, and 36 month anniversaries from the grant date. The stock options were valued at $55,053 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate – 2.75%; volatility – 75%; expected dividend yield – 0.0%; expected option life in years – 10. Of the total value, $11,828 has been recognized in the condensed interim statements of comprehensive income (loss).

On May 31, 2022, the Company granted 260,000 stock options to the former CFO of the Company. The stock options vest immediately. The stock options were valued at $1,389 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate – 2.75%; volatility – 75%; expected dividend yield – 0.0%; expected option life in years –1

The total share-based compensation recognized during the period is $34,267 (2021 – recovery of $1,270) using the Black-Scholes option pricing model with the following weighted average assumptions:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2022 |  | 2021 |
|  |  |  |  |
| Number of stock options granted | 4,610,000 |  | 1,000,000 |
| Exercise price ($) | 0.03 |  | 0.07 |
| Share price at grant date ($) | 0.015 |  | 0.07 |
| Expected option life | 9.5 years |  | 5 years |
| Expected volatility (a) | 75% |  | 83.50% |
| Risk-free interest rate | 2.75% |  | 0.72% |
| Expected dividend yield | 0.00% |  | 0.00% |
| Fair value of stock options granted ($) | 52,026 |  | 26,189 |
| Fair value of stock options granted per option ($) | 0.01 |  | 0.03 |

**6. RELATED PARTY TRANSACTIONS**

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the board of directors, the CEO, and the CFO. Key management compensation included the following:

|  |  |  |
| --- | --- | --- |
|  | Nine months ended September 30, 2022 | Nine months ended September 30, 2021 |
|  | $ | $ |
| Management compensation | 150,000 | 210,000 |
| Share-based payments | 12,665 | 9,050 |
| Total | 162,665 | 219,050 |
|  |  |  |

Included in trade and other payables is $Nil (2021 - $54,786) owed to the CEO of the Company.

*Management fees with the parent company*

The Company had an agreement with its former parent company, which required the Company to pay a fee of $5,000 in January 2021. Following the payment of the January 2021 management fee, the agreement was terminated. As at September 30, 2022 and December 31, 2021, there are no management fees payable. The amount included in expenses for the nine months ended September 30, 2022 is $Nil (2021 - $5,000).

*Note Payable*

On October 28, 2021, the Company entered into a secured promissory note, for an amount of $700,000, with MMCAP, a shareholder who exercises significant influence over the Company. The note is repayable within six months of the issuance date and is subject to an interest rate of 7% per annum. Interest expense recognized during the nine months ended September 30, 2022 was $17,239 (2021 - $Nil). In exchange, the Company issued to MMCAP 1,500,000 warrants to purchase common shares of the Company. Each warrant will be exercisable for one common share at an exercise price of $0.06 for a period of three years from the date of the grant, which is October 28, 2024. The warrants are subject to a four-month holding period. At the inception of the agreement, the Company estimated the fair value of the note payable to a related party to be $684,240, using a discount rate of 12%. The net balance of the amount received, $15,760, was attributed to the warrants and was classified to equity into reserves. During the nine months ended September 30, 2022, the Company recognized accretion expense of $8,272. The Note Payable with interest was repaid in full during the period.

1. **CAPITAL MANAGEMENT**

As at September 30, 2022, the Company’s capital is composed of cash, investment in a publicly listed company, note payable to related party, and shareholders’ equity. A summary of the Company’s capital structure is as follows:

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  | September 30, 2022 |  | December 31, 2021 |
|  |  |  |  |  |  |  |  |  | $ |  | $ |
| Cash | | |  |  |  |  |  |  | 702,880 |  | 156,315 |
| Investment in publicly listed company | | | | | | |  |  | 509,494 |  | 4,000,535 |
|  |  |  |  |  |  |  |  |  | 1,212,374 |  | 4,156,850 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| Note payable to related party | | | | | |  |  |  | - |  | 690,062 |
| Total equity | | | | |  |  |  |  | 1,487,596 |  | 3,538,375 |
|  |  |  |  |  |  |  |  |  | 1,487,596 |  | 4,228,437 |

The Company’s primary objectives, when managing its capital, are to maintain adequate levels of funding to support operations of the Company and to maintain corporate and administrative functions.

The Company defines capital as items included in shareholders’ equity, consisting of the issued common shares. The capital structure of the Company is managed to provide sufficient funding for operating activities. Funds are primarily secured through a combination of selling its investment and equity capital raised by way of private placements and short-term debt. There can be no assurances that the Company will be able to continue raising equity capital and short-term debt in this manner. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, which are all held with major financial institutions.

There were no changes to the Company’s approach to capital management during the period ended September 30, 2022. The Company is not subject to external capital requirements.

1. **FINANCIAL INSTRUMENTS**

**Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

As at September 30, 2022, the Company’s financial instruments consisted of cash, investment in publicly listed company, and trade and other payables. Cash and investment in publicly listed company are measured at fair value in accordance with Level 1. The fair value of trade and other payables approximate its carrying value because of the short-term nature of these instruments.

**Financial risks**

The Company's risk exposures arising from financial instruments and the impact on the Company's condensed interim financial statements are summarized below:

*Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's cash is deposited with high credit rated banks, therefore, the credit risk is limited.

*Liquidity risk*

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at September 30, 2022, the Company has working capital of $1,487,596 and it does not have any long-term monetary liabilities. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company’s shareholders and may result in dilution to the value of such interests. The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2022, the Company had cash of $702,880 and trade and other payables of $7,157.

*Foreign currency risk*

Currency risk relates to the risk that the fair values or future cash flows of the Company’s financial instruments will fluctuate because of changes in foreign exchange rates. The Company is not exposed to foreign currency risk.

*Market risk*

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is exposed to other price risk with respect to its investment in a publicly traded company. A 10% increase or decrease in the fair value of its investment would result in a $51,000 change to comprehensive loss.