TOTALLY HIP TECHNOLOGIES INC.

Consolidated Financial Statements

Years Ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

SATURNA GROUP
CHARTERED PROFESSIONAL ACCOUNTANTS LLP
Suite 1605, 1166 Alberni Street
Vancouver, BC Canada V6E 3Z3

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Totally Hip Technologies Inc.

We have audited the accompanying consolidated financial statements of Totally Hip Technologies Inc. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2021 and 2020 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficit), and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2021 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has not generated any revenues and incurred negative cash flow from operations during the year ended September 30, 2021 and, as of that date, the Company has a working capital deficit of $67,809 and an accumulated deficit of $18,558,432. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lonny Wong.

Saturna Group LLP

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

February 2, 2022

TOTALLY HIP TECHNOLOGIES INC.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	September 30, 2021 $	September 30, 2020 $
Assets		
Current assets		
Cash and cash equivalents	991,488	1,349,140
Amounts receivable	97,641	5,403
Prepaid expenses	7,500	9,025
Total current assets	1,006,629	1,363,568
Non-current assets		
Property and equipment	611	763
Total assets	1,007,240	1,364,331
Liabilities and shareholders' equity (deficit)		
Current liabilities		
Accounts payable and accrued liabilities (Note 3)	1,044,088	1,294,601
Loans payable (Note 4)	30,350	42,666
Total liabilities	1,074,438	1,337,267
Shareholders' equity (deficit)		
Share capital	13,874,077	13,868,077
Share-based payment reserve (Note 8)	4,617,157	4,240,958
Deficit	(18,558,432)	(18,081,971)
Total shareholders' equity (deficit)	(67,198)	27,064
Total liabilities and shareholders' equity (deficit)	1,007,240	1,364,331

Nature of operations and continuance of business (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on February 2, 2022:

/s/ "John Brydle"
John Brydle, Director

/s/ "Vincent Teo"
Vincent Teo, Director

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

TOTALLY HIP TECHNOLOGIES INC.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended September 30, 2021 $	Year ended September 30, 2020 $
Expenses		
Depreciation	152	191
Interest and bank charges (Note 5)	8,230	11,987
Office and administrative (Note 5)	11,647	16,067
Professional fees (Note 5)	20,000	19,492
Rent	30,000	30,000
Share-based compensation (Notes 5 and 8)	379,199	–
Transfer agent and filing fees	14,905	20,001
Wages and benefits	12,858	–
Total expenses	476,991	97,738
Net loss before other income	(476,991)	(97,738)
Other income		
Interest income	530	27,003
Net loss and comprehensive loss for the year	(476,461)	(70,735)
Loss per share, basic and diluted	–	–
Weighted average shares outstanding	122,604,657	122,627,878

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

TOTALLY HIP TECHNOLOGIES INC.
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve	Deficit	Total shareholders' equity (deficit)
	Number of shares	Amount $	$	$	$
Balance, September 30, 2019	122,627,878	13,868,077	4,240,958	(18,011,236)	97,799
Net loss for the year	–	–	–	(70,735)	(70,735)
Balance, September 30, 2020	122,627,878	13,868,077	4,240,958	(18,081,971)	27,064
Fair value of stock options granted	–	–	379,199	–	379,199
Shares issued pursuant to exercise of stock options	25,000	6,000	(3,000)	–	3,000
Shares returned to treasury	(62,148)	–	–	–	–
Net loss for the year	–	–	–	(476,461)	(476,461)
Balance, September 30, 2021	122,590,730	13,874,077	4,617,157	(18,558,432)	(67,198)

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

TOTALLY HIP TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended September 30, 2021 $	Year ended September 30, 2020 $
Operating activities		
Net loss for the year	(476,461)	(70,735)
Items not involving cash:		
Depreciation	152	191
Share-based compensation	379,199	–
Changes in non-cash operating working capital:		
Amounts receivable	(2,238)	(2,795)
Prepaid expenses	1,525	(7,360)
Accounts payable and accrued liabilities	(250,513)	31,670
Net cash used in operating activities	(348,336)	(49,029)
Financing activities		
Repayment of loans payable	(12,316)	(36,837)
Proceeds from issuance of shares	3,000	–
Net cash used in financing activities	(9,316)	(36,837)
Change in cash and cash equivalents	(357,652)	(85,866)
Cash and cash equivalents, beginning of year	1,349,140	1,435,006
Cash and cash equivalents, end of year	991,488	1,349,140
Cash and cash equivalents consist of:		
Cash in bank	991,488	2,664
Cashable guaranteed investment certificate	–	1,346,476
Total cash and cash equivalents	991,488	1,349,140
Non-cash investing and financing activities:		
Fair value of stock options transferred from share-based payment reserve to share capital	3,000	–

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

1. Nature of Operations and Continuance of Business

Totally Hip Technologies Inc. (the "Company") was incorporated in the province of Alberta on March 8, 1995. The Company was continued under the laws of the Province of British Columbia on March 18, 1999. The Company is currently seeking new business opportunities. The Company is listed on the TSX Venture Exchange under the symbol 'THP.V'. The Company's registered address is at Suite 702, 889 West Pender Street, Vancouver, BC, V6C 3B2.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company has not been significant, but management continues to monitor the situation.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. During the year ended September 30, 2021, the Company has not generated any revenues from operations and incurred negative cash flow from operations. As at September 30, 2021, the Company has a working capital deficit of $67,809 and an accumulated deficit of $18,558,432. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is pursuing additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Presentation

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

These consolidated financial statements include the accounts of the Company and the following wholly-owned inactive subsidiaries incorporated in the province of British Columbia:

Totally Hip Services Inc.
Totally Hip Software (B.C.) Inc.

All inter-company balances and transactions have been eliminated on consolidation.

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company's functional currency.

(b) Significant Accounting Estimates and Judgments

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas requiring the use of estimates include the fair value of share-based compensation and unrecognized deferred income tax assets.

2. Significant Accounting Policies (continued)

(b) Significant Accounting Estimates and Judgments (continued)

Share-based Compensation

Fair values are determined using the Black-Scholes option pricing model. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options.

Deferred Income Taxes

The determination of income tax expense and the composition of deferred income tax assets and liabilities involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred income tax assets and liabilities, and interpretations of tax laws. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these interpretations, judgments, and estimates may materially affect the final amount of deferred income tax provisions, deferred income tax assets and liabilities, and results of operations.

Significant Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

Going Concern

The application of the going concern assumption which requires management to take into account all available information about the future, which is at least but not limited to, 12 months from the year end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Property and Equipment

The Company depreciates the cost of property and equipment over their estimated useful lives at the following annual rates:

Automotive	20%	declining balance basis
Office equipment	20%	declining balance basis

2. Significant Accounting Policies (continued)

(e) Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators exist, then the asset's recoverable amount is estimated. The recoverable amounts of the following types of intangible assets are measured annually whether or not there is any indication that they may be impaired:

- an intangible asset with an indefinite useful life
- an intangible asset not yet available for use
- goodwill acquired in a business combination

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of operations. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of assets other than goodwill and intangible assets that have indefinite useful lives, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(f) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of operations.

Fair value estimates are made at the statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

2. Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

The Company has made the following classifications:

Cash and cash equivalents	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost

Financial Assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless designated as fair value through profit or loss.

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2. Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(g) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(h) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at September 30, 2021, the Company has 30,985,000 (2020 – 27,850,000) potentially dilutive shares outstanding.

(i) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations.

(j) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2021, and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. Accounts Payable and Accrued Liabilities

	2021 $	2020 $
Trade payables (Note 5)	1,016,012	1,268,051
Accrued liabilities	8,123	7,500
Accrued interest payable	19,953	19,050
	1,044,088	1,294,601

4. Loans Payable

(a) As at September 30, 2021, the amount of $30,350 (2020 - $30,393) is owed to various unrelated parties. The amounts due are non-interest bearing, unsecured, and due on demand.

(b) As at September 30, 2021, the amount of $nil (2020 - $939) is owed to an unrelated party, which bears interest at 6% per annum, is unsecured, and is due on demand.

(c) As at September 30, 2021, the amount of $nil (2020 - $11,334) is owed to companies controlled by a significant shareholder of the Company. The amounts due are non-interest bearing, is unsecured, and is due on demand.

5. Related Party Transactions

(a) As at September 30, 2021, the amount of $108,958 (2020 - $255,409) was owed to companies controlled by a significant shareholder of the Company, which was included in accounts payable and accrued liabilities.

(b) During the year ended September 30, 2021, the Company granted 940,000 stock options with a fair value of $112,800 (2020 - $nil) to officers, directors, and a significant shareholder of the Company.

(Expressed in Canadian dollars)

5. Related Party Transactions (continued)

(c) During the year ended September 30, 2021, the Company incurred the following expenditures to the companies controlled by a significant shareholder of the Company:
- Interest of $7,057 (2020 - $10,978);
- Office and administrative of $8,155 (2020 - $13,222); and
- Professional fees of $12,000 (2020 - $12,000).

6. Share Capital

Authorized: unlimited common shares without par value
100,000,000 preferred shares without par value

(a) On December 29, 2020, the Company issued 25,000 common shares for proceeds of $3,000 pursuant to the exercise of 25,000 stock options. The fair value of $3,000 for the fair value of stock options exercised was transferred from share-based payment reserve to share capital.

(b) On January 26, 2021, a total of 62,148 common shares were returned to treasury and cancelled.

7. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price $
Balance, September 30, 2019, 2020 and 2021	18,750,000	0.10

As at September 30, 2021, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price $	Expiry date
18,750,000	0.10	November 7, 2023

8. Stock Options

The Company has established a stock option plan pursuant to which options may be granted to directors, officers, employees and consultants of the Company. The exercise price is equal to the market price of the Company's shares as calculated on the date of grant. The aggregate number of shares issuable pursuant to stock options granted under the plan is limited to 10% of the issued and outstanding shares at the time of grant. Options are granted for a maximum term of 5 years and are fully vested when granted unless otherwise stated.

The following table summarizes the continuity of the Company's stock options:

	Number of stock options	Weighted average exercise price $
Outstanding, September 30, 2019 and 2020	9,100,000	0.17
Granted	3,160,000	0.12
Exercised	(25,000)	0.12
Outstanding, September 30, 2021	12,235,000	0.16

(Expressed in Canadian dollars)

8. Stock Options (continued)

Additional information regarding stock options outstanding as at September 30, 2021 is as follows:

	Outstanding and exercisable		
Range of Exercise prices $	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price $
0.12	3,135,000	4.2	0.12
0.16	8,500,000	1.4	0.16
0.32	600,000	0.7	0.32
	12,235,000	2.1	0.16

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the year ended September 30, 2021, the Company recognized share-based compensation expense of $379,199 (2020 – $nil) in share-based payment reserve. During the year ended September 30, 2021, the weighted average grant date fair value $0.12 (2020 – $nil) per option.

The weighted average assumptions used in calculating the fair value of share-based compensation expense, assuming no dividends or expected forfeitures, are as follows:

	2021	2020
Risk-free interest rate	0.43%	–
Expected volatility	429%	–
Expected life (years)	5	–

9. Financial Instruments and Risk Management

(a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on 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 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which include cash and cash equivalents, accounts payable and accrued liabilities, and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(Expressed in Canadian dollars)

9. Financial Instruments and Risk Management (continued)

(c) Foreign Exchange Rate Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is not exposed to any significant foreign exchange rate risk.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

(e) 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's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company relies on raising debt or equity financing in a timely manner.

10. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company’s overall strategy with respect to capital risk management remains unchanged from the year ended September 30, 2020.

11. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2021 $	2020 $
Canadian statutory income tax rate	27%	27%
Income tax recovery at statutory rate	(128,644)	(19,098)
Tax effect of:		
Permanent differences and other	102,383	–
Change in unrecognized deferred income tax assets	26,261	19,098
Income tax provision	–	–

(Expressed in Canadian dollars)

11. Income Taxes (continued)

The significant components of deferred income tax assets and liabilities are as follows:

	2021 $	2020 $
Deferred income tax assets		
Non-capital losses carried forward	1,469,588	1,442,716
Capital losses carried forward	35,882	35,882
Property and equipment	98,138	98,097
Share issuance costs	–	652
Total gross deferred income tax assets	1,603,608	1,577,347
Unrecognized deferred income tax assets	(1,603,608)	(1,577,347)
Net deferred income tax asset	–	–

As at September 30, 2021, the Company has non-capital losses carried forward of $5,442,919 which are available to offset future years' taxable income. These losses expire as follows:

	$
2026	657,289
2027	255,722
2028	398,086
2029	196,134
2030	207,568
2031	257,555
2032	399,525
2033	509,090
2034	356,214
2035	471,989
2036	437,648
2037	607,387
2038	335,358
2039	180,868
2040	72,960
2041	99,526
	5,442,919