MINEHUB TECHNOLOGIES INC.

Condensed Consolidated Interim Financial Statements

For the Six Months Ended July 31, 2021 and 2020

(Expressed in Canadian Dollars)

MINEHUB TECHNOLOGIES INC.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	July 31, 2021 (Unaudited)	January 31, 2021
Assets			
Current assets			
Cash		$ 140,866	$ 456,179
Restricted cash	8	10,119,350	-
Receivables	4	231,266	125,918
Prepaid expenses	8	509,017	263,000
Total assets		**$ 11,000,499**	**$ 845,097**
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	5	$ 1,261,668	$ 889,925
Short-term loans	6	268,316	252,766
Convertible notes	7	1,287,199	898,681
Subscriptions received in advance	8	10,119,350	-
		12,936,533	2,041,372
Long-term liabilities			
Convertible notes	7	-	752,547
Total liabilities		12,936,533	2,793,919
Shareholders' equity			
Share capital	8	8,014,840	5,232,840
Equity component of convertible debt reserve	8	109,768	131,507
Equity compensation reserve	8,9	1,110,815	424,506
Deficit		(11,171,457)	(7,737,675)
Total shareholders' equity		(1,936,034)	(1,948,822)
Total liabilities and shareholders' equity		**$ 11,000,499**	**$ 845,097**

Nature of and continuance of operations (Note 1)
Subsequent events (Note 13)

MINEHUB TECHNOLOGIES INC.
Consolidated Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	Three Months Ended July 31, 2021	Three Months Ended July 31, 2020	Six Months Ended July 31, 2021	Six Months Ended July 31, 2020
Revenue		$ -	$ 20,662	$ -	$ 27,771
Expenses					
Administrative services		$ 19,500	$ 18,000	$ 34,500	$ 36,000
Consulting		197,006	33,381	355,506	33,381
Finance expense	8	105,640	4,000	196,434	49,800
Interest expense	6,7	55,040	18,310	154,781	36,255
Development costs		751,174	150,000	1,338,679	150,000
Management fees	10	159,636	95,725	290,889	186,455
Marketing		94,925	1,314	94,925	3,950
Office and miscellaneous		65,848	10,286	158,061	24,495
Payroll expenses		60,777	-	113,264	-
Professional fees		161,368	9,165	272,747	21,644
Regulatory fees		15,008	-	15,263	5
Stock-based compensation	8,10	181,406	506	415,838	1,000
Travel		-	-	886	8,849
		(1,867,328)	(340,687)	(3,441,773)	(551,834)
Other income (expenses)					
Foreign exchange gain (loss)		(5,659)	42,620	7,991	(27,093)
Net and comprehensive loss		$ (1,872,987)	$ (277,405)	$ (3,433,782)	$ (551,156)
Loss per share – basic and diluted		$ (0.03)	$ (0.01)	$ (0.07)	$ (0.02)
Weighted Average Number of Shares Outstanding		60,455,751	35,197,392	50,632,129	34,959,801

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

MINEHUB TECHNOLOGIES INC.
Consolidated Interim Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Notes	Share Capital: Number of Shares	Share Capital: Amount	Equity Compensation Reserve	Equity Component of Convertible Debt Reserve	Deficit	Total Shareholders' Equity
Balance, January 31, 2020		33,771,000	$ 2,456,050	$ 38,571	$ -	$(4,500,188)	$ (2,005,567)
Shares issued for cash, net of share issue cost	8	6,098,000	1,493,860	-	-	-	1,493,860
Shares issued as finders' fees	8	906,000	-	-	-	-	-
Shares issued as a bonus on financings	8	199,200	49,800	-	-	-	49,800
Shares issued for services	8	40,700	10,175	-	-	-	10,175
Stock-based compensation	8,10	-	-	1,000	-	-	1,000
Shares issued for debt	8	154,120	38,530	-	-	-	38,530
Equity component of convertible notes	8	-	-	-	112,141	-	112,141
Net and comprehensive loss for the period		-	-	-	-	(551,156)	(551,156)
Balance, July 31, 2020		41,169,020	$ 4,048,415	$ 39,571	$ 112,141	$(5,051,344)	$ (851,217)
Balance, January 31, 2021		45,037,270	$ 5,232,840	$ 424,506	$ 131,507	$(7,737,675)	$ (1,948,822)
Shares issued for cash, net of share issue cost	8	5,180,000	2,575,050	-	-	-	2,575,050
Shares issued as finders' fees	8	50,000	50,000	-	-	-	50,000
Cancellation of founders' shares and issued for prepaid services	8	(692,000)	(96,050)	-	-	-	(96,050)
Shares issued for services	8	431,000	253,000	-	-	-	253,000
Repayment of convertible debt	7	-	-	-	(21,739)	-	(21,739)
Compensation warrants	8	-	-	320,471	-	-	320,471
Stock-based compensation	8,10	-	-	365,838	-	-	365,838
Net and comprehensive loss for the year		-	-	-	-	(3,433,782)	(3,433,782)
Balance, July 31, 2021		50,006,270	$ 8,014,840	$ 1,1,110,815	$ 109,768	$(11,171,457)	$ (1,936,034)

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

MINEHUB TECHNOLOGIES INC.
Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars)

	Six Months Ended July 31, 2021	Six Months Ended July 31, 2020
Cash provided by (used in):		
Operating activities		
Net loss	$ (3,433,782)	$ (551,656)
Item not effecting cash:		
Interest expense	154,781	36,255
Non-cash consulting fees	228,000	10,175
Finance expense	90,794	-
Foreign exchange	-	(1,983)
Stock-based compensation	415,838	1,000
Shares issued as bonus on loans	-	49,800
Changes in non-cash working capital items:		
Accounts receivable	(105,348)	4,237
Prepaid expenses	(37,340)	1,500
Accounts payable and accrued liabilities	371,694	(136,848)
Net cash used in operating activities	(2,315,363)	(587,520)
Financing activities		
Proceeds from issuance of shares, net of issue costs	2,525,050	1,493,860
Proceeds from the issuance of loans	-	-
Loan repayment	(525,000)	-
Net cash provided by financing activities	2,000,050	1,493,860
Increase (decrease) in cash	(315,313)	906,340
Cash, beginning	456,179	34,561
Cash, ending	$ 140,866	$ 940,901

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

1. Nature and continuance of operations

MineHub Technologies Inc. (the "Company") was incorporated in the province of British Columbia on February 19, 2018. The Company is engaged in the development and operation of a block-chain technology platform for the mining industry. The Company's registered and records office is 400-725 Granville Street, Vancouver, British Columbia, V7Y 1G5. The Company's head office is located at 717-1030 West Georgia Street, Vancouver, British Columbia, V6E 2Y3. On September 7, 2021, the Company's common shares began trading on the TSX Venture Exchange ("TSX-V") under the ticker MHUB.

These consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at July 31, 2021, the Company has generated minimal revenues and has incurred losses since inception. The Company's continuation as a going concern is dependent on its ability to generate future cash flows and/or obtain additional financing. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and companies controlled by directors and/or private placements of common stock. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These consolidated interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

These consolidated interim financial statements were authorized for issue by the Board of Directors on September 22, 2021.

2. Significant accounting policies

(a) Statement of compliance to International Financial Reporting Standards

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed, and therefore these condensed consolidated interim financial statements should be read in conjunction with the Company's January 31, 2021 audited annual consolidated financial statements and the notes to such financial statements.

(b) Basis of preparation

The consolidated interim financial statements have been prepared based on historical costs modified where applicable. The consolidated interim financial statements are presented in Canadian dollars unless otherwise noted. The policies set out below were consistently applied to all periods presented unless otherwise noted.

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(c) Use of estimates and assumptions

The preparation of consolidated interim financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include fair value measurements for financial instruments, and the recoverability and measurement of deferred tax assets.

(d) Significant judgments

The preparation of consolidated interim financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's consolidated interim financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- Whether the expenditures incurred on the development of the Company's platform meets the criteria for recognition as an intangible asset pursuant to IAS 38 *Intangible Assets*. The Company has determined that to date the Company's platform under development does not meet the capitalization criteria. Consequently, the expenditures incurred that are directly attributable to its development have been expensed.

(e) Basis of consolidation

These consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Minehub (USA) Inc. and Minehub Technologies Netherlands B.V. All inter-company balances and transactions have been eliminated upon consolidation.

3. Development costs

On December 18, 2018, the Company entered into an agreement with The International Business Machines Corporation ("IBM") to collaboratively develop a block-chain enabled platform to track and trace minerals from miners to end buyers. During the six months ended July 31, 2021, the Company incurred $1,169,834 (2020: $Nil) to IBM in connection with the development of the platform (Note 5).

4. Receivables

	July 31, 2021	January 31, 2021
Sales taxes recoverable	$ 231,266	$ 119,528
Other receivables	-	6,390
	$ 231,266	$ 125,918

(Expressed in Canadian dollars)

5. Trade payables and accrued liabilities

	July 31, 2021	January 31, 2021
Trade payables (Note 10)	$ 270,219	$ 179,929
IBM (Note 3)	907,608	460,610
Accrued liabilities (Note 10)	83,841	249,386
	$ 1,261,668	$ 889,925

6. Short-term loans

(a) On December 19, 2018, the Company entered into a loan agreement to borrow an amount of US $275,000 (CAD $368,610) to be used for working capital, repayable in two months, bearing 5% interest per annum on default and has a bonus payment of US $15,000 (CAD $20,100) on settlement. During the six months ended July 31, 2020, the Company accrued a total of $9,688 of interest on the loan. On July 31, 2020, the Company entered into an agreement with the lender to transfer the principal amount, bonus payment and accrued interest into a combined convertible debenture in the amount of $416,730 (Note 7(a)).

(b) On December 19, 2018, the Company entered into a loan agreement to borrow an amount of US $80,000 (CAD $107,200) to be used for working capital, repayable in two months, bearing 5% interest per annum on default and has a bonus payment of US $8,000 (CAD $10,720) on settlement. During the six months ended July 31, 2020, the Company accrued a total of $2,940 of interest on the loan. On July 31, 2020, the Company entered into an agreement with the lender to transfer the principal amount, bonus payment and accrued interest into a convertible debenture in the amount of $126,500 (Note 7(b)).

(c) On June 18, 2019, the Company entered into a loan agreement to borrow an amount of $250,000 to be used for working capital. The loan bears interest at 10% per annum and is repayable on or before March 31, 2022. During the six months ended July 31, 2021, the Company accrued $15,549 of interest (2020: $6,164).

(d) On June 19, 2019, the Company entered into a loan agreement with a company related by common director and officer to borrow an amount of $150,000 for a duration of 120 days. The loan bears interest at 10% per annum. During the six months ended July 31, 2020, the Company accrued $9,749 of interest. On July 31, 2020, the loan was acquired by another lender and the Company entered into an agreement with the new lender to transfer the principal amount, bonus payment and accrued interest into a combined convertible debenture in the amount of $166,800 (Note 7(a)).

(e) On July 22, 2019, the Company entered into a loan agreement with a company related by common director and officer to borrow an amount of $35,000 for a duration of 120 days. The loan bears interest at 10% per annum. During the six months ended July 31, 2020, the Company accrued $1,745 of interest. On July 31, 2020, the Company repaid the principal of the loan and accrued interest with 154,120 shares with fair value of $38,530.

(f) In January 2020, the Company entered into a loan agreement to borrow an amount of $75,000 to be used for working capital, repayable in two months, bearing interest of 5% per annum and has a bonus payment of $4,000 on settlement. During the six months ended July 31, 2020, the Company accrued a total of $5,969 of interest on the loan. On July 31, 2020, the Company entered into an agreement with the lender to transfer the principal amount, bonus payment and accrued interest into a combined convertible debenture in the amount of $80,970 (Note 7(a)).

(Expressed in Canadian dollars)

7. Convertible notes

(a) On July 31, 2020, the Company entered into an agreement to combine three outstanding short-term loans into one convertible promissory note with principal amount of $664,500 (Note 6 (a,d,f)). The convertible promissory note matures in two years on July 31, 2022 and bears simple interest of 5% per annum. The lender has an option to convert all or a portion of the principal amount and accrued interest into units of the Company at $0.25 per share. Each unit consists of one common share of the Company and one-half share purchase warrant entitling the holder to purchase one share of the Company at an exercise price of $0.50 per share until July 31, 2023.

The convertible promissory note is a compound financial instrument as it includes both a liability and equity components. On initial recognition, the Company determined the fair value of the liability component on the date of issue to be $590,549. The fair value of the liability was determined by calculating the fair value of the future cash flows of the loan assuming a discount rate of 12%. The equity component of the promissory note was determined to be $73,951, which comprises of the principal value less the liability component.

Details of movement of the convertible promissory note are as follows:

		July 31, 2021		January 31, 2021
Balance, beginning of period	$	633,389	$	-
Loans amount converted		-		664,500
Equity component of convertible debenture		-		(73,951)
Accretion of convertible debenture		18,336		26,091
Interest accrued		9,026		16,749
Balance, end of period	$	660,751	$	633,389

(b) On July 31, 2020, the Company entered into an agreement to convert a short term loan into a convertible promissory note with principal amount of $126,500 (Note 6(b)). The convertible note matures in two years on July 31, 2022 and bears simple interest of 5% per annum. The lender has an option to convert all or a portion of the principal amount and accrued interest into common shares of the Company at $0.25 per share.

The convertible promissory note is a compound financial instrument as it includes both a liability and equity components. On initial recognition, the Company determined the fair value of the liability component on the date of issue to be $112,422. The fair value of the liability was determined by calculating the fair value of the future cash flows of the loan assuming a discount rate of 12%. The equity component of the promissory note was determined to be $14,078, which comprises of the principal value less the liability component.

Details of movement of the convertible promissory note are as follows:

		April 30, 2021		January 31, 2021
Balance, beginning of period	$	119,158	$	-
Loans amount converted		-		126,500
Equity component of convertible debenture		-		(14,078)
Accretion of convertible debenture		3,491		3,548
Interest accrued		3,137		3,188
Balance, end of period	$	125,786	$	119,158

(Expressed in Canadian dollars)

7. Convertible Debt (continued)

(c) On January 21, 2021, the Company entered into two convertible promissory note agreements to borrow an amount of $500,000 each for total proceeds of $1,000,000. Each convertible note matures in one year on January 21, 2022 and bears interest of 10% per annum. If the Company does not complete an Initial Public Offering ("IPO") within the first six month from the agreement date, the interest will increase to 15% per annum. The lenders are required to convert a minimum of 25% of the outstanding principal amount and accrued interest into common shares of the Company at $0.50 per share on the event of an IPO. The lenders have an option to convert all or any portion of the remaining 75% of the outstanding principal and accrued interest into common shares of the Company at $0.50 per share. Additionally, the Company issued 150,000 share purchase warrants to each lender for total 300,000 share purchase warrants. Each purchase warrant entitles the holder to purchase one share of the Company at an exercise price of $0.75 per share until January 21, 2023.

The convertible promissory notes are a compound financial instrument as it includes both a liability and equity components. On initial recognition, the Company determined the fair value of the liability component of each convertible note on the date of issue to be $478,261. The fair value of the liability was determined by calculating the fair value of the future cash flows of the loan assuming a discount rate of 15%. The equity component of each promissory note was determined to be $21,739, which comprised the principal value less the liability component. The equity component of the warrants per each promissory note was determined to be $31,756 using Black-Scholes Option Pricing Model with the following assumptions: Number of warrants: 150,000; Risk free rate of 0.16%; Expected life of 2 years; Expected volatility of 100% and divided yield on $Nil.

On April 16, 2021, the Company repaid in full the principal and accrued interest for total amount of $525,000 of one convertible promissory note issued on January 1, 2021.

Details of movement of the convertible promissory notes are as follows:

	April 30, 2021	January 31, 2021
Balance, beginning of period	$ 898,681	$ -
Amount advanced (repaid)	(525,000)	1,000,000
Equity component of convertible debenture	21,739	(43,478)
Warrant component of convertible debenture	-	(63,512)
Accretion of convertible debenture	70,173	2,932
Interest accrued	35,069	2,739
Balance, end of period	$ 500,662	$ 898,681

8. Share capital

Authorized share capital

Unlimited common shares without par value

Issued share capital

At July 31, 2021, there were 50,006,270 issued and fully paid common shares (July 31, 2020 – 41,169,020).

Share issuances

Six Months Ended July 31, 2021:

On February 8, 2021, the Company cancelled 500,000 common shares originally issued to a founder of the Company at $0.0001 and on March 15, 2021 the Company cancelled 192,000 common shares issued at $0.50 for prepaid services.

8. Share capital (continued)

On March 1, 2021, the Company issued 200,000 common shares of the Company with a fair value of $100,000 for prepaid services, recorded on the consolidated interim statement of financial position. During the six months ended July 31, 2021, the Company recognized $20,833 in finance expense based on the services provided during the period. On March 15, 2021, the Company issued 156,000 common shares of the Company with a fair value of $78,000 for prepaid services. During the six months ended July 31, 2021, the Company recognized $39,000 in consulting fees based on the services provided during the period.

On April 1, 2021, the Company issued 400,000 common shares of the Company at a price of $0.375 per share for gross proceeds of $150,000. The fair value of the shares was determined to be $0.50 per share and accordingly, stock-based compensation expense of $50,000 for the difference in fair value was recognized. On April 13, 2021, the Company issued 4,780,000 common shares of the Company at a price of $0.50 for gross proceeds of $2,390,000. In connection with the issuances, the Company incurred cash share issuance costs of $14,950.

On May 3, 2021, the Company entered into a service agreement with Red Cloud Financial Services Inc. (“RCFS”) whereby the Company will pay RCFS $10,000 per month for 6 months by issuing total 75,000 common shares. On June 15, 2021, the Company issued 75,000 common shares with a fair value of $75,000 to RCFS pursuant to the service agreement.

On June 10, 2021, the Company issued 9,200,000 subscription receipts in connection with a brokered private placement and issued 919,350 subscription receipts in connection with a non-brokered placement at $1.00 per subscription receipts for total gross proceeds of $10,119,350. As at July 31, 2021, the proceeds were recorded as restricted cash and subscriptions received in advance on the condensed consolidated interim statement of financial position. In connection with the brokered private placement, the Company paid $50,000 in cash and issued 50,000 common shares with a fair value of $50,000 to finders and incurred legal costs totaling $76,174 in connection with the placement, all of which are included with prepaid expenses as deferred financing costs on the condensed consolidated interim statement of financial position as at July 31, 2021.

On August 26, 2021, the Company satisfied the escrow release conditions relating to the private placements, including the acceptance of the Company’s final prospectus dated August 18, 2021 and conditional approval from the TSX-V to list the issued and outstanding common shares of the Company. Accordingly, 10,119,350 common shares were issued to the holders of the subscription receipts and $9,391,647 in cash was released from escrow, which represents the net proceeds after accounting for additional agents’ fees of $727,703.

Six Months Ended July 31, 2020:

Between February 25, 2020 and July 23, 2020, the Company issued 6,098,000 common shares at a price of $0.25 per share for total gross proceeds of $1,524,500. The Company recorded $30,640 as share issue costs in connection with the issuance of the shares. On July 31, 2020, the Company issued 906,000 shares at a value of $164,500 as finders’ fees relating to various private placements. The Company also issued 199,200 bonus shares with fair value of $49,800 to certain subscribers in the cash financings described above.

In July 2020, the Company issued 40,700 shares at a value of $10,175 for services provided by a consultant to the Company.

On July 31, 2020, the Company issued 154,120 shares to settle a debt of $38,530 (Note 6(e)).

(Expressed in Canadian dollars)

8. Share capital (continued)

Warrants

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Warrants outstanding, January 31, 2021	3,762,944	$ 0.53
Issued	1,700,000	$ 0.43
Warrants outstanding, July 31, 2021	5,462,944	$ 0.50

Details of warrants outstanding as at July 31, 2021 are as follows:

Exercise Price	Expiry Date	Balance, end of period
$0.64	March 31, 2022	100,000
$0.25	September 7, 2022	500,000
$0.50	September 7, 2022	500,000
$0.50	October 13, 2022	195,311
$0.64	October 13, 2022	195,313
$0.50	October 28, 2022	261,120
$0.50	November 14, 2022	2,215,200
$0.50	January 21, 2023	300,000
$0.50	January 31, 2023	176,000
$0.50	March 31, 2023	240,000
$0.50	April 29, 2023	80,000
$0.50	March 1, 2023	700,000
		5,462,944

At July 31, 2021, the weighted-average remaining contractual life of warrants outstanding was 1.31 years.

On February 1, 2021, the Company issued 500,000 compensation warrants at an exercise price of $0.25 per share with an expiry date one year from the date that the Company completes a listing of its common shares on a Canadian stock exchange, which was estimated to be August 31, 2021 and actually occurred on September 7, 2021. The compensation warrants vest according to the following schedule: 25% three months from the listing date, 25% six months from the listing date, 25% nine months from the listing date and 25% twelve months from the listing date. The total fair value of the compensation warrants was determined to be $161,760 using the Black-Scholes Option Pricing Model with the following assumptions: average risk-free interest rate of 0.23%; expected life of 1.58 years; expected volatility of 100% and dividend yield of $Nil. The Company recognized $70,350 in finance expense on the consolidated interim statement of comprehensive loss in accordance with the vesting of the compensation warrants.

(Expressed in Canadian dollars)

8. Share capital (continued)

On February 1, 2021, the Company issued 500,000 compensation warrants at an exercise price of $0.50 per share with an expiry date one year from the date that the Company completes a listing of its common shares on a Canadian stock exchange, which was estimated to be August 31, 2021 and actually occurred on September 7, 2021. The compensation warrants vest according to the following schedule: 25% on the listing date, 25% three months from the listing date, 25% six months from the listing date and 25% nine months from the listing date. The total fair value of the compensation warrants was determined to be $117,757 using the Black-Scholes Option Pricing Model with the following assumptions: average risk-free interest rate of 0.23%; expected life of 1.58 years; expected volatility of 100% and dividend yield of $Nil. The Company recognized $67,127 in finance expense on the consolidated interim statement of comprehensive loss in accordance with the vesting of the compensation warrants.

On March 1, 2021, the Company issued 700,000 compensation warrants in exchange for services at an exercise price of $0.50 per share with an expiry date of March 1, 2024. The Company recognized $182,996 in prepaid expense on the consolidated interim statement of financial position, determined using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 0.49%; expected life of 3 years; expected volatility of 100% and dividend yield of $Nil. The Company is amortizing the prepaid expense over the service period of two years. During the six months ended July 31, 2021, the Company recognized $38,124 in finance expense on the consolidated interim statement of comprehensive loss.

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time-to-time, in its discretion, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed a rolling 10% of the Company's issued and outstanding common shares at the time the options are granted.

Stock options transactions are summarized as follows:

	Number of options	**Weighted average exercise price**
Options outstanding, January 31, 2021	4,405,000	0.29
Issued	125,000	0.50
Options outstanding, July 31, 2021	4,530,000	$ 0.29
Options exercisable, July 31, 2021	3,542,624	$ 0.29

On April 13, 2021, the Company granted 125,000 stock options to consultants of the Company at an exercise price of $0.50 per common share for a period of five years ending April 13, 2026. The options vest in four equal parts over two years ending April 13, 2023. The total value of these options on grant date was $46,408 and the Company recognized $11,770 in stock-based compensation expense for the portion of options vested during the three months ended April 30, 2021, determined using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 0.93%; expected life of 5 years; expected volatility of 100% and dividend yield of $Nil.

During the six months ended July 31, 2021, the Company recorded $415,838 (2020: $1,000) in stock-based compensation expense for options vested.

(Expressed in Canadian dollars)

9. Reserves

Stock options reserve

The stock options reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised and cancelled, the amount recorded is transferred to deficit.

Warrants reserve

The warrants reserve records fair value of the warrants issued for services until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

10. Related party transactions

Key management compensation is as follows:

	Three Months Ended July 31		Six Months Ended July 31,	
	2021	**2020**	**2021**	**2020**
Aggregate cash compensation	$ 186,841	$ 175,408	$ 345,759	$ 188,453
Stock-based compensation	197,083	1,000	259,643	1,000
	$ 383,924	$ 176,408	$ 605,402	$ 189,453

At July 31, 2021, included in accounts payable and accrued liabilities is $46,904 (January 31, 2021 - $Nil) due to directors and officers or companies controlled by directors and officers. These amounts are unsecured, non-interest bearing and have no fixed payment terms (Note 5).

11. Financial instruments and risks

(a) Fair values

The fair values of cash, receivables, accounts payable, and short term loans approximate their carrying values due to the short-term to maturities of these financial instruments.

(b) 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 interest rate risk.

(c) 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 primary exposure to credit risk is in its cash. The risk in cash is managed through the use of a major financial institution which has a high credit quality as determined by rating agencies. Credit risk is assessed as low.

(d) Foreign exchange rate risk

Foreign exchange risk is the risk that the Company’s financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company has no assets or liabilities denominated in foreign currencies; therefore, is not exposed to foreign exchange risk.

11. Financial instruments and risks (continued)

(e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company requires funds to finance its business development activities. In addition, the Company needs to raise equity financing to carry out its research and development activities. There is no assurance that financing will be available or, if available, that such financings will be on terms acceptable to the Company; however, based on the private placement closed in August 2021, liquidity risk is assessed as low.

12. Capital management

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. 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 is dependent on external financing to fund its activities. In order to carry out research and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. 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 since inception. The Company is not subject to externally imposed capital requirements.

13. Subsequent events

On September 1, 2021, the Company issued 266,600 common shares in accordance with the conversion of convertible debt.

On September 2, 2021, the Company entered into an agreement with Native Ads, Inc., to provide strategic digital media services, marketing and data analytics servicers to the Company. The Company has agreed to pay Native Ads a total initial fee of $150,000 over an expected 24-month period.

On September 2, 2021, the Company granted 520,000 stock options to consultants at a price of $1.00, exercisable for five years from the grant date.

On August 26, 2021, the Company satisfied the escrow release conditions relating to 9,200,000 subscription receipts, including the acceptance of the Company's final prospectus dated August 18, 2021 and conditional approval from the TSX-V to list the issued and outstanding common shares of the Company. (Note 8).