SWMBRD SPORTS INC.

Financial Statements

February 28, 2023 and 2022

(Expressed in Canadian Dollars)

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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Independent Auditor's Report

To the Shareholders of SWMBRD Sports Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SWMBRD Sports Inc. (the “Company”), which comprise the statements of financial position as at February 28, 2023 and 2022, and the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Company as at February 28, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit 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 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 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 financial statements, which indicates that the Company has accumulated losses since its inception, expects to incur further losses in the development of its business, and has no assurance that sufficient funding will be available to conduct further development of its products. As stated in Note 1, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our auditor’s report.

Other Information

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

Our opinion on the 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 financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, including the disclosures, and whether the 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is William Nichols.

De Visser Gray LLP

Chartered Professional Accountants

Vancouver, BC
June 26, 2023

Swmbrd Sports Inc.
Statements of Financial Position
As at February 28, 2023 and 2022
As expressed in Canadian dollars

		2023		2022
Assets				
Current				
Cash	**$**	**14,560**	$	207,038
Due from a related party (Note 10)		**3,000**		-
GST receivable		**5,137**		7,793
Inventory (Note 7)		**92,241**		-
Prepaid expenses and deposits (Note 5)		**93,411**		243,765
		208,349		458,596
Patents (Note 6)		**133,311**		153,280
Capital equipment (Note 8)		**155,875**		5,860
	$	**497,535**	$	617,736
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**291,967**	$	94,046
		291,967		94,046
Equity				
Share capital (Note 9)		**3,529,399**		1,976,240
Reserves (Note 9)		**313,384**		2,992
Deficit		**(3,637,215)**		(1,455,542)
		205,568		523,690
	$	**497,535**	$	617,736

Commitments (Note 11)
Subsequent events (Note 14)

Approved and authorized by the Board of Directors on June 26, 2023:

"Justin Schroenn" — Director

"Matthew Schroenn" — Director

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

Swmbrd Sports Inc.
Statements of Operations and Comprehensive Loss
For the years ended February 28, 2023 and 2022
As expressed in Canadian dollars

		2023		2022
Expenses				
Accounting and audit fees	$	**24,000**	$	23,000
Administrative fees (Note 11)		**150,000**		168,750
Advertising and website (Note 11)		**97,206**		213,296
Depreciation (Note 8)		**39,701**		1,162
Filing and transfer agent fees		**24,612**		19,226
Insurance		**14,433**		-
Investor relations (Note 11)		**327,904**		-
Legal fees		**104,050**		164,054
Office, telephone and miscellaneous		**5,180**		2,873
Patent depreciation (Note 6)		**50,355**		27,374
Patent maintenance		**-**		20,925
Product development		**10,406**		60,671
Salaries and consulting fees (Note 10)		**355,571**		261,212
Share-based compensation (Notes 9 and 10)		**942,817**		36,000
Travel and meals		**35,438**		93,702
		2,181,673		1,092,245
Net and comprehensive loss for the year	$	**2,181,673**	$	1,092,245
Basic and diluted loss per share	$	**0.03**	$	0.02
Weighted average number of common shares outstanding – basic and diluted		**75,061,195**		63,675,795

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

Swmbrd Sports Inc.

Statements of Changes in Equity
For the years ended February 28, 2023 and 2022
As expressed in Canadian dollars

	Number of Shares		Share Capital		Reserves		Subscription Receivable		Shares Subscriptions		Deficit		Total
Balance, February 28, 2021	**61,170,220**	**$**	**1,681,510**	**$**	**2,060**	**$**	**(60,000)**	**$**	**5,850**	**$**	**(363,297)**	**$**	**1,266,123**
Shares issued for private placements (Note 9)	3,600,652		273,461		-		-		(5,850)		-		267,611
Share issuance costs	-		(14,731)		932		-		-		-		(13,799)
Share subscriptions	-		-		-		60,000		-		-		60,000
Share-based compensation	720,000		36,000		-		-		-		-		36,000
Net loss for the year	-		-		-		-		-		(1,092,245)		(1,092,245)
Balance, February 28, 2022	**65,490,872**	**$**	**1,976,240**	**$**	**2,992**	**$**	**-**	**$**	**-**	**$**	**(1,455,542)**	**$**	**523,690**
Private placements (Note 9)	9,187,500		632,375		-		-		-		-		632,375
Warrants exercised (Note 9)	3,021,500		302,150		-		-		-		-		302,150
Share issuance costs	-		(20,436)		2,075		-		-		-		(18,361)
PSU’s granted (Note 9)	57,128		4,570		-		-		-		-		4,570
Share-based compensation – bonus shares (Note 9)	4,700,000		634,500		-		-		-		-		634,500
Share-based compensation – options (Note 9)	-		-		308,317		-		-		-		308,317
Net loss for the year	-		-		-		-		-		(2,181,673)		(2,156,788)
Balance, February 28, 2023	**82,457,000**	**$**	**3,529,399**	**$**	**313,384**	**$**	**-**	**$**	**-**	**$**	**(3,637,215)**	**$**	**205,568**

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

Swmbrd Sports Inc.

Statements of Cash Flows
For the years ended February 28, 2023 and 2022
As expressed in Canadian dollars

	2023	2022
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Net loss for the year	**$ (2,181,673)**	$ (1,092,245)
Items not affecting cash:		
Depreciation	**39,701**	1,162
Shares issued for services	**4,570**	-
Patent depreciation	**50,355**	27,374
Share-based compensation	**942,817**	36,000
Changes in non-cash working capital items related to operations:		
GST receivable	**2,656**	4,157
Prepaid expenses	**150,354**	62,871
Due from related parties	**(3,000)**	(9,243)
Accounts payable and accrued liabilities	**186,324**	59,622
Net cash flows used in operating activities	**(807,896)**	(910,302)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Share subscriptions received	-	60,000
Warrants exercised	**302,150**	-
Issuance of common shares	**632,375**	267,611
Share issuance costs	**(18,361)**	(13,799)
Net cash flows from financing activities	**916,164**	313,812
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Patents	**(18,789)**	(110,495)
Inventory	**(92,241)**	-
Capital equipment	**(189,716)**	(6,295)
Net cash flows used in investing activities	**(300,746)**	(116,790)
Increase (decrease) in cash	**(192,478)**	(713,280)
Cash, beginning of year	**207,038**	920,318
Cash, end of year	**$ 14,560**	$ 207,038

Supplemental information:

• Patent costs in accounts payable	$ 11,579	$ -

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Swmbrd Sports Inc. (“Swmbrd” or the “Company”) was incorporated on September 15, 2015, under the Company Act of British Columbia and is in the business of developing, manufacturing, marketing, and selling aquatic sports products in the sporting goods and outdoor recreation industries. The head office, principal address and registered and records office of the Company are located at 1450 – 789 West Pender, Vancouver, BC, Canada, V6C 1H2. The Company was listed on the Canadian Securities Exchange (“CSE”) on February 16, 2022 under the symbol “SWIM”.

These audited financial statements were authorized for issue by the Audit Committee and Board of Directors on June 26, 2023.

The Company has no source of operating cash flows, has not yet achieved profitable operations, has working capital deficit of $83,618 at February 28, 2023 (2022: $364,550 surplus), has accumulated losses since its inception, expects to incur further losses in the development of its business, and has no assurance that sufficient funding will be available to conduct further development of its products. These material uncertainties cast significant doubt about the Company’s ability to continue as a going concern and, accordingly, the appropriateness of the use of generally accepted accounting principles applicable to a going concern. In recognition of these circumstances, management is pursuing various financial alternatives to fund the Company’s development stages. There is no assurance that these initiatives will be successful.

In the future, the Company may raise additional financing through the issuance of share capital or shareholder loans; however, there can be no assurance that it will be successful in its efforts to do so and that the terms will be favourable to the Company. These financial statements do not include any adjustments to the carrying values of assets and liabilities, the reported expenses and statement of financial position classifications that might be necessary should the Company be unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Management is actively seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management’s plan will be successful. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of Measurement

These financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, this financial statement has been prepared using the accrual basis of accounting.

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously 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. However, actual outcomes can differ from these estimates.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and further periods if the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) The assessment of the ultimate collectability of due from related parties.

Critical judgments

i. Going concern - Evaluation of the ability of the Company to realize its strategy for funding its future needs for working capital involves making judgments.
ii. Provision for credit losses - Judgment is required as to the timing of establishing a provision for credit losses and the amount of the required provision, taking into consideration factors such as counterparty creditworthiness, the fair value of the underlying collateral, current economic trends and past experience.
iii. Fair value and useful life of intangible assets - The value of the intangible assets was determined based on the fair value of the consideration exchanged. Management judgmentally used five years as the useful life of the intangible assets for purposes of amortization.
iv. Impairment of intangible assets – The determination that there are no indicators of impairment indicating that the carrying amount exceeds the recoverable amount.

Judgment is required in assessing whether certain factors would be considered an indicator of impairment or impairment reversal. Management considers both internal and external information to determine whether there is an indicator of impairment or impairment reversal present and, accordingly, whether impairment testing is required.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Cash

Cash consists of amounts held in banks and cashable highly liquid investments with limited interest and credit risk.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

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

At initial recognition, financial assets are measured at fair value and classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"). At initial recognition, financial liabilities are measured at fair value and classified as, subject to certain exceptions, subsequently measured at amortized cost. For financial assets and financial liabilities not at FVTPL, fair value is adjusted for transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in the statement of comprehensive loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows, and (ii) 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 is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (ii) 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 is measured at FVTPL unless it is measured at amortized cost or FVTOCI. However, an irrevocable election can be made at initial recognition for particular investments in equity instruments that would otherwise be measured at FVTPL to present subsequent changes in fair value through other comprehensive income.

The Company's financial instruments are classified and subsequently measured as follows:

Account	Classification
Cash	Amortized cost
Receivables	Amortized cost
Due to/from related parties	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Income taxes – continued

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the agreement to issue shares was concluded.

Share-based payments

(i) Share options

The Company grants share purchase options to directors, officers, employees and consultants to purchase common shares. The board of directors grants such options for periods of up to five years, which vest immediately and are priced at the previous day's closing price. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in reserves. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Share capital – continued

Share-based payments – continued

(ii) Restricted share units

A Restricted Share Unit ("RSU" or "RSUs") Plan was established for officers and directors of the Company. The RSUs vesting period is at the discretion of the Board of Directors and are settled in cash or common shares of the Company, at the holder's option, at the market price of the Company's publicly traded common shares on the settlement date. The cost of the RSUs is measured, initially, at fair value on the date of grant based on the market price of the Company's common shares. The cost of RSUs is recognized as a liability, in accordance with IFRS 2 *Share-based Payments*, in the Company's statements of financial position. The liability is remeasured at each reporting period, with changes in the fair value of the liability being recognized in the Company's statements of loss and comprehensive loss. Until such time as the holder elects to settle the RSUs as either cash settlement or equity settlement, in accordance with the RSU plan (Note 9), the RSUs continue to be recognized as a liability.

(iii) Performance share units

A Performance Share Unit ("PSU" or "PSUs") Plan was established for officers and directors of the Company. The PSUs vesting period is determined by the completion of the performance of tasks or duties as determined by the Board of Directors and are settled in cash or common shares of the Company, at the holder's option, at the market price of the Company's publicly traded common shares on the settlement date. The cost of the PSUs is measured, initially, at fair value on the date of grant based on the market price of the Company's common shares. The cost of PSUs is recognized as a liability, in accordance with IFRS 2 *Share-based Payments*, in the Company's statements of financial position. The liability is remeasured at each reporting period, with changes in the fair value of the liability being recognized in the Company's statements of loss and comprehensive loss. Until such time as the holder elects to settle the PSUs as either cash settlement or equity settlement, in accordance with the PSU plan (Note 9), the PSUs continue to be recognized as a liability.

Earnings (loss) per share

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currency translation

The Company's presentation currency and functional currency is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Property, plant and equipment.

Property, plant and equipment are carried at cost, less accumulated amortization and accumulated impairment losses. Cost comprises the fair value of consideration given to acquire an asset and includes the direct expenditures associated with bringing the asset to the location and condition necessary for putting it into use along with the future cost of dismantling and removing the asset. When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of fixed assets.

The Company uses the following amortization rates for its property, plant and equipment:

Computer software and equipment	30%	Declining balance
Swim board moulds	20%	Declining balance

Gain and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the equipment and are recognized in profit or loss.

Residual values and estimated useful lives are reviewed at least annually.

Inventory

The Company values inventories at the lower of cost and net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage, or declining market prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is apparent evidence of an increase in selling price then the amount of the write down previously recorded is reversed. Storage costs, indirect administrative overhead, and certain other selling costs related to inventories are expensed in the period incurred.

Expressed in Canadian dollars

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired is their fair value as at the date of acquisition.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date that the Company can demonstrate all of the following: i) the technical feasibility of completing the intangible assets so that it will be available for use or sale; ii) its intention to complete the intangible asset and use or sell it; iii) its ability to use or sell the intangible asset; iv) how the intangible asset will generate probable future economic benefits; v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development. Until these criteria are met, expenditures are expensed as incurred.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the statement of operations and comprehensive loss in the expense category consistent with the function of the intangible assets. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets are amortized annually on a straight-line basis. The Company holds design patents with effective lives of 10 years in Canada and up to 25 years in the European Union. The patents are amortized over the useful life of the patents which the Company estimates is five years. See Note 6.

Costs incurred for patents which are pending and which are in the process of being developed will be amortized over the life of the patent when the patent is issued.

5. PREPAID EXPENSES AND DEPOSITS

	February 28, 2023 $	**February 28, 2022 $**
Legal retainers	-	11,319
Marketing agreements	78,411	-
Insurance	-	12,730
Production deposits	15,000	189,716
Security deposit	-	30,000
Total prepaid expenses	93,411	243,765

Expressed in Canadian dollars

6. PATENT EXPENSES

		Patents
Cost:		
At February 28, 2021	$	119,780
Additions for the year		110,495
At February 28, 2022	$	230,275
Additions for the year		30,386
At February 28, 2023	$	260,661
Accumulated depreciation		
At February 28, 2021	$	49,621
Depreciation for the year		27,374
At February 28, 2022	$	76,995
Depreciation for the year		50,355
At February 28, 2023	$	127,350
Net book value:		
At February 28, 2022	$	153,280
At February 28, 2023	$	133,311

The Company invested in patenting their product in the following priority jurisdictions: Canada, the United States, the European Union, and Bosnia and Herzegovina. As funds permit, the Company will continue to increase the breadth of its patent holdings as well as pursuing a variety of trademarks in these jurisdictions.

During the year ended February 28, 2023, the Company incurred $30,386 (2022 - $110,495) in patent costs for the development of the aquatic swim board.

7. INVENTORY

During the year ended February 28, 2023, the Company incurred the following to manufacture 250 aquatic swim boards:

	February 28, 2023 $	February 28, 2022 $
Opening inventory	-	-
Product costs	77,193	-
Freight and duty	15,048	-
Total inventory	92,241	-

Expressed in Canadian dollars

8. CAPITAL EQUIPMENT

		Computer Equipment
Cost:		
At February 28, 2022	$	8,791
Additions for the year		189,716
At February 28, 2023	$	198,507
Depreciation:		
At February 28, 2022	$	2,931
Depreciation for the year		39,701
At February 28, 2023	$	42,632
Net book value:		
At February 28, 2022	$	5,860
At February 28, 2023	$	155,875

9. SHARE CAPITAL

a) Authorized: Unlimited common shares with no par value. The total issued and outstanding shares of the Company total 82,457,000 as at February 28, 2023 (2022: 65,490,872).

During the year ended February 28, 2023:

a. On April 20, 2022, the Company issued 4,700,000 shares with a fair value of $0.135 per share in connection with the hiring of a consultant. See Note 10.

b. On May 18, 2022, 20,000 shares purchase warrants priced at $0.10 were exercised for gross proceeds of $2,000.

c. On August 2, 2022, 57,128 performance share units (each, a "PSU") with a fair value of $0.08 vested and were exchanged for an equal amount of common shares of the Company in connection with an investors relations agreement. See Note 11.

d. On June 22, 2022, the Company completed a non-brokered private placement offering (the "Offering") issuing 3,460,000 units (each, a "Unit") at a price of $0.10 per Unit for gross proceeds of $346,000. Each Unit is comprised of one common share (each, a "Common Share") and one common share purchase warrant (each, a "Warrant"). Each Warrant will entitle the holder to acquire one additional Common Share at a price of $0.20 per share, for a period of 12 months from the date the Units are issued. All securities issued pursuant to the Offering will be subject to applicable resale restrictions, including a four month hold from the date of issuance.

e. On June 29, 2022, the Company completed a warrant exercise incentive program (see Note 9(c)). A total of 19 eligible warrant holders participated in the Incentive Program and exercised an aggregate of 3,001,500 warrants for gross proceeds of $300,150. The Company issued an aggregate of 3,001,500 Incentive warrants to the Eligible Holders.

9. SHARE CAPITAL – continued

During the year ended February 28, 2023: - continued

f. On November 25, 2022, the Company closed a private placement of 3,265,000 units (each, a "Unit") at a price of $0.05 per Unit for aggregate proceeds of $163,250. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.06 until November 25, 2027.

g. On January 23, 2023, the Company closed a private placement of 2,462,500 units (each, a "Unit") at a price of $0.05 per Unit for aggregate proceeds of $123,125. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.06 for a period of five (5) years. The Company paid $2,200 in finder's fees and granted 44,000 finder's warrants with the same terms as the share purchase warrants.

During the year ended February 28, 2022:

a. On March 16, 2021, the Company closed a private placement of 518,500 units (each, a "Unit") at a price of $0.05 per Unit for aggregate proceeds of $25,925. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price (as amended on October 27, 2021) of $0.10 until July 22, 2022, and $0.15 from July 23, 2022 until July 22, 2023.

b. On June 25, 2021, the Company closed a private placement of 2,427,152 units (each, a "Unit") at a price of $0.075 per Unit for aggregate proceeds of $182,036. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price (as amended on October 27, 2021) of $0.20 until December 25, 2023.

c. On September 15, 2021, 240,000 RSUs granted in March 2021 vested and on September 30, 2021 480,000 RSUs vested. On September 30, 2021, the RSU's were exercised and exchanged for 720,000 common shares of the Company. The Company recognized share-based compensation expense related to the RSUs in the amount of $36,000.

d. On January 24, 2022, the Company closed a private placement of 655,000 units (each, a "Unit") at a price of $0.10 per Unit for aggregate proceeds of $65,500. Each Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.20 for 12 months and $0.30 for a further 12 months. The Company granted 25,900 finder's warrants with the same terms as the share purchase warrants. The finders' warrants were valued at $932 using the Black-Scholes option pricing model.

b) Long-term Incentive Plans

On June 20, 2022, the board of directors approved an omnibus equity incentive plan (the "Equity Incentive Plan"), providing for the grant of stock options, restricted share units, performance share units and deferred share units (together the "Awards"). The Equity Incentive Plan replaces its former stock option plan, which was previously adopted by the Company on March 15, 2021.

The Equity Incentive Plan allows the Company to grant stock options and non-stock option awards to acquire up to a maximum number of shares not to exceed 20% of the Company's total issued and outstanding shares from time to time in accordance with Canadian Securities Exchange.

Expressed in Canadian dollars

9. SHARE CAPITAL – continued

b) Long-term Incentive Plans – continued

Stock Options

On September 12, 2022, the Company granted 6,770,000 stock options of the Company to certain directors, officers, employees, and consultants of the Company. The options granted vest immediately upon the grant and are exercisable for a period of 2 years from the date of grant at a price of $0.10 per common share. Subsequent to issuance, 1,400,000 stock options issued to consultants were cancelled as the consultants ceased to work for the Company.

The following is a summary of stock option transactions for the years ended February 28, 2023 and 2022:

	2023		**2022**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	-	-	-	-
Issued	6,770,000	0.10	-	-
Cancelled	(1,400,000)	0.10	-	-
Balance, end of year	5,370,000	$ 0.10	-	-

The following stock options were outstanding and exercisable as at February 28, 2023 and 2022:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	**2023** Number of Options	**2022** Number of Options
September 12, 2024	1.54	$0.10	5,370,000	-
Total outstanding and exercisable	1.54	$0.10	5,370,000	-

The following assumptions were used for the Black-Scholes pricing model calculations for the stock options:

	September 12, 2022
Risk-free interest rate	3.61%
Expected stock price volatility	229.14%
Expected option life in years	2 years

Expressed in Canadian dollars

9. SHARE CAPITAL – continued

b) Long-term Incentive Plans – continued

Restricted Share Unit

On March 15, 2021 and on June 20, 2022, the board of directors approved a restricted share unit ("RSU") plan for the purpose of securing for the Company and its shareholders the benefits of incentive inherent in share ownership by the employees and directors of the Company and its affiliates who, in the judgment of the Board and the Compensation Committee, will be largely responsible for the Company's future growth and success. Subject to the specific provisions of the RSU plan, eligibility, vesting period, terms of the RSUs and the number of RSUs granted are to be determined by the Board or the Compensation Committee at the time of the grant. Each award granted entitles the participant to receive one RSU. The participant must send a written settlement election to the Company choosing whether it wishes the awards to be subject to cash or share settlement procedures.

On March 15, 2021, 720,000 RSUs were granted to consultants of the Company at a deemed price of $0.05 per share. The vesting date of 240,000 RSUs was September 15, 2021 and the vesting date of the remaining 480,000 RSUs was September 30, 2021. On September 30, 2021, the RSU's were exercised and exchanged for 720,000 common shares of the Company. During the year ended February 28, 2022, the Company recognized share-based compensation expense related to the RSUs in the amount of $36,000.

Performance Share Unit

On June 13, 2022, 57,128 performance share units (each, a "PSU") (issued with a fair value of $4,570) were granted to a consultant of the Company (see Note 11). Each PSU granted and represents the right to receive one common share in the capital of the Company once performance conditions have been met. On August 2, 2022, upon completion of the requisite performance conditions, the PSUs vested and were exchanged for 57,128 common shares of the Company.

c) Warrants

The following is a summary of share purchase warrant transactions for the years ended February 28, 2023 and 2022:

	2023			2022		
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price
Balance, beginning of year	21,571,652	$	0.11	17,971,000	$	0.10
Exercised	(3,021,500)		0.10	-		-
Issued	12,189,000		0.11	3,600,652		0.19
Balance, end of year	30,739,152	$	0.14	21,571,652	$	0.11

Expressed in Canadian dollars

9. SHARE CAPITAL - continued

c) Warrants - continued

The following share purchase warrants were outstanding and exercisable as at February 28, 2023 and 2022:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	2023 Number of Warrants	2022 Number of Warrants
July 1, 2023*	0.17	$0.15	15,059,500	17,971,000
July 22, 2023**	0.01	$0.15	408,500	518,500
December 25, 2023	0.06	$0.20	2,427,152	2,427,152
January 24, 2024***	0.02	$0.30	655,000	655,000
June 22, 2023****	0.04	$0.20	3,460,000	-
June 29, 2027	0.42	$0.12	3,001,500	-
November 25, 2027	0.50	$0.06	3,265,000	-
January 23, 2028	0.39	$0.06	2,462,500	-
Total Outstanding and exercisable	1.61	$0.14	30,739,152	21,571,652

*Warrant exercise price is $0.10 until July 1, 2022, and $0.15 from July 2, 2022 until July 1, 2023.
**Warrant exercise price is $0.10 until July 22, 2022, and $0.15 from July 23, 2022 until July 22, 2023.
***Warrant exercise price is $0.20 until January 23, 2023, and $0.30 from January 24, 2023 until January 24, 2024.
****Subsequently expired unexercised.

The following is a summary of agents' warrant transactions for the years ended February 28, 2023 and 2022:

	2023			2022		
	Number of Agents' Warrants		Weighted Average Exercise Price	Number of Agents' Warrants		Weighted Average Exercise Price
Balance, beginning of year	172,900	$	0.11	147,000	$	0.10
Issued	44,000		0.06	25,900		0.20
Balance, end of year	216,900	$	0.15	172,900	$	0.11

Expressed in Canadian dollars

9. SHARE CAPITAL - continued

c) Warrants - continued

The following agents' warrants were outstanding and exercisable as at February 28, 2023 and 2022:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	2023 Number of Warrants	2022 Number of Warrants
July 1, 2023*	0.23	$0.15	147,000	147,000
January 24, 2024**	0.11	$0.30	25,900	25,900
January 23, 2028	0.99	$0.06	44,000	-
Total Outstanding and exercisable	1.33	$0.15	216,900	172,900

*Warrant exercise price is $0.10 until July 1, 2022, and $0.15 from July 2, 2022 until July 1, 2023.
**Warrant exercise price is $0.20 until January 23, 2023, and $0.30 from January 24, 2023 until January 24, 2024

The following assumptions were used for the Black-Scholes pricing model calculations:

	February 26, 2021	January 24, 2022	January 23, 2023
Risk-free interest rate	0.30%	1.24%	2.97%
Expected stock price volatility	100.00%	100.00%	170.95%
Expected option life in years	2.5 years	2 years	5 years
Dividend rate	Nil	Nil	Nil

On June 2, 2022, the Company commenced a warrant exercise incentive program (the "Incentive Program") for the exercise of up to 18,489,500 outstanding warrants and 147,000 outstanding agent's warrants of the Company (collectively, "Eligible Warrants"), being an aggregate of 18,636,500 Eligible Warrants, with exercise prices and expiry dates as follows:

Number of Warrants	**Exercise Price**	**Grant Date**	**Expiry Date**
17,971,000 Warrants and 147,000 Agent's Warrant	$0.10 until July 1, 2022 $0.15 until July 1, 2023	February 26, 2021	July 1, 2023
518,500 Warrants	$0.10 until July 22, 2022 $0.15 until July 22, 2023	March 16, 2021	July 22, 2023

Pursuant to the Incentive Program, each holder of Eligible Warrants that exercises Eligible Warrants during the Incentive Program period of June 2, 2022 to June 29, 2022 received one additional common share purchase warrant (each, a "Incentive Warrant"), with each Incentive Warrant entitling the holder to purchase one additional common share at a price of $0.12 until June 29, 2027. During the incentive program period, 3,001,500 warrants were exercised. Eligible Warrants that remain unexercised following the completion of the Early Exercise Period will continue to be exercisable for Shares on the original terms as they existed prior to the Program.

Expressed in Canadian dollars

9. SHARE CAPITAL - continued

d) Performance warrants

On January 19, 2022, the Company issued 4,000,000 performance warrants to each of Justin Schroenn, Matthew Schroenn and Gareth Schroenn. The performance warrants are exercisable at a price of $0.10 and will vest upon the Company entering into an employment agreement with a former senior level executive from a major sporting brand to act as Chief Executive Officer of the Company. On April 4, 2022, the Company entered into an employment agreement with a senior level executive, however it did not include his appointment as CEO, and as a result, the performance warrants have not vested and no share-based compensation has been recognized.

10. RELATED PARTY TRANSACTIONS

During the years ended February 28, 2023 and 2022, the Company incurred the following transactions with officers or directors of the Company or companies with common directors:

	Year ended February 28,	
	2023	**2022**
Key management compensation*	**$**	**$**
Salaries and consulting fees	280,000	232,000
Share-based payments	809,835	120,000
Total	1,089,835	352,000

* Key management includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Company's executive officers and certain members of its Board of Directors.

As at February 28, 2023, $3,000 (2022 - $nil) is due from a director of the Company.

During the year ended February 28, 2022, 12,000,000 performance warrants were granted to directors of the Company (see Note 9 (d)), although they have not vested during the year ended February 28, 2023.

On March 15, 2021, 240,000 RSUs were granted to a director of the Company at a deemed price of $0.05 per share. The RSUs vested on September 15, 2021 and on September 30, 2021 these RSUs were exercised and exchanged for 240,000 common shares of the Company. The Company recognized share-based compensation expense related to these RSUs in the amount of $12,000.

On April 20, 2022, the Company issued 4,700,000 shares with a fair value of $0.135 per share in connection with the hiring of a consultant.

The terms and conditions of these transactions with key management and their related parties were no more favourable than those available, or which might reasonably be expected to be available, or similar transactions to non-key management related entities on an arm's length basis. These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

11. COMMITMENTS

On November 1, 2020, the Company entered into a Management & Administration Agreement ("Agreement") with Zimtu Capital Corp. ("Zimtu"). Under the terms of the Agreement, Zimtu will provide the Company with administrative and managerial services, including corporate maintenance, continuous disclosure services, rent, and office space, over a period of 13 months, at a price of $14,583 per month. On December 1, 2021, the Agreement was extended a further 12 months at a rate of $12,500 per month. On January 21, 2022, the Company entered into an amended agreement with Zimtu, whereby Zimtu has agreed to defer the amount owing until the earlier of the Company becoming cash flow positive or April 30, 2023. On May 1, 2023, the Company extended the agreement for an additional 12 months.

On March 1, 2022, the Company entered into a twelve-month investor relations agreement with Stockhouse Publishing Inc. ("Stockhouse"). Stockhouse has agreed to provide investor relations services to the Company in exchange for an aggregate amount of $157,500 (including GST). $118,125 (including GST) is payable and will be applied to the first and last two months of the contract. The remainder of the fee is payable monthly.

On March 1, 2022, the Company entered into a marketing agreement with Trevor O'Neill ("O'Neill"). O'Neill has agreed to provide marketing services to the Company in exchange for a monthly payment of $4,000. The terms of service commenced on March 1, 2022 and the parties mutually decided to terminate the agreement as of July 31, 2022.

On March 5, 2022, the Company entered into an investor relations agreement with Proactive Investors North America Inc. ("Proactive"). Proactive has agreed to provide investor relations services to the Company in exchange for an aggregate amount of $25,000 (including GST) due upfront. The initial term of service is until March 31, 2023 and automatically renews thereafter for an additional twelve-month term.

On April 4, 2022, the Company entered into a consulting agreement with Black Tag Inc. (the "Consultant"). The principle of the Consultant, Chris Kypriotis, has agreed to serve as a director and chairman of the Board. In consideration for the services, the Company has agreed to pay the Consultant a bonus with the issuance of 4,700,000 common shares at a fair value price of $0.135 per share and a monthly fee of $7,000. This monthly fee will be paid retroactively from January 1, 2022. This agreement was terminated as of November 30, 2022.

On April 20, 2022, the Company entered into a market making services agreement and a consulting agreement with Venture Liquidity Providers Inc. ("VLP"). In consideration for the services, the Company has agreed to pay VLP a monthly fee of $5,000 and grant stock options at a future date.

On May 24, 2022, the Company entered into an investor relations agreement with Market One Media Group ("MarketOne"). MarketOne will provide investor relations services to the Company in exchange for an aggregate amount of $100,000 (plus GST) due upfront. The term of service is for 9 months from date of payment (June 23, 2022 – March 23, 2023).

On June 13, 2022, the Company entered into an investor relations agreement with Sutton Integrated Communications Ltd. ("Sutton"). Sutton has agreed to provide investor relations services to the Company in exchange for US$8,000, of which US$4,000 will be paid by the Company on commencement by the grant of 57,128 performance share units (each, a "PSU") (issued with a fair value of $4,570) and the remaining US$4,000 was paid in cash. See Note 9.

On October 26, 2022, the Company entered into an additional investor relations agreement with Market One Media Group ("MarketOne"). MarketOne will provide investor relations services to the Company in exchange for an aggregate amount of $85,000 (plus GST) due upfront. The term of service is for 12 months from payment (November 29, 2022 through November 28, 2023).

11. COMMITMENTS - continued

On May 4, 2023, the Company signed an agreement with Zimtu, whereas Zimtu will provide services under the ZimtuADVANTAGE marketing and investor relations program. The Company will pay $12,500 per month for the 12-month term.

On May 17, 2023, the Company engaged Mr. Liam Greenlaw as a consultant of the Company for a term of twelve months. For the first two months of the term, the Company has agreed to grant Mr. Greenlaw 400,000 RSU's and for the third month and thereafter, pay a monthly fee of $10,000.

On May 30, 2023, the Company announced it has engaged Ketchum, Killum, & Wynn Creative Inc. ("KKW Creative") to provide website design, development and support services to the Company. The Company granted KKW Creative 100,000 RSU's in consideration.

12. FINANCIAL INSTRUMENTS

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein.

a) Credit Risk

The Company is not exposed to significant credit risk on its cash due to its cash is placed with major financial institutions and investments are placed with a Canadian chartered bank or with independent investment dealer member of the Canadian Investor Protection Fund. All transactions executed by the Company in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment.

At February 28, 2023, the Company held cash of $14,560 (2022: $207,038) with Canadian chartered banks.

b) Liquidity Risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

As at February 28, 2023, the Company has total current liabilities of $291,967 (2022: $94,046).

12. FINANCIAL INSTRUMENTS - continued

c) Market Risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

i) *Currency Risk*
Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is in the development stage and has not yet developed commercial production, the underlying commodity price for materials and services is impacted by changes in the exchange rate between the Canadian dollar, the United States dollar, and the Euro. As all of the Company's transactions are denominated in Canadian dollars, the Company is not significantly exposed to foreign currency exchange risk at this time.

ii) *Commodity Price Risk*
Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for production materials are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar and Euro, as outlined above. As the Company has not yet developed commercial production, it is not exposed to commodity price risk at this time.

iii) *Interest Rate Risk*
The Company is not exposed to significant interest rate risk even though the Company has cash balances, and its current policy is to invest excess cash in certificates of deposit or money market funds of major Canadian chartered banks. The Company's other financial assets and financial liabilities do not comprise any interest rate risk since they do not bear interest.

d) Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value as at:

	As at February 28, 2023		
	Level 1	**Level 2**	**Level 3**
Cash	$ 14,560	$ -	$ -
	$ 14,560	$ -	$ -

	As at February 28, 2022		
	Level 1	**Level 2**	**Level 3**
Cash	$ 207,038	$ -	$ -
	$ 207,038	$ -	$ -

Expressed in Canadian dollars

12. FINANCIAL INSTRUMENTS - continued

e) Capital Management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at February 28, 2023, the Company's equity was $205,568 (2022: $523,690). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the production of its products. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure which is comprised of working capital and shareholders' equity.

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the development of its products, the Company prepares annual expenditure budgets which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, enter into joint venture arrangements, or dispose of assets. The Company is not subject to any externally imposed capital requirements and there were no changes in the Company's approach to capital management during the year.

13. CORPORATE INCOME TAXES

The Company is subject to income taxes in Canada. The reconciliation of the income tax provision computed at the statutory rate is as follows:

	February 28, 2023 $	February 28, 2022 $
Net loss before tax	(2,181,673)	(1,092,245)
Statutory tax rate	27.00%	27.00%
Expected income tax (recovery)	(589,000)	(295,000)
Net adjustment for deductible and non-deductible amounts	274,000	19,000
Change in valuation allowance	315,000	276,000
Deferred income tax recovery per financial statements	-	-

There are no deferred tax assets/(liabilities) presented in the statement of financial position.

Expressed in Canadian dollars

13. CORPORATE INCOME TAXES - continued

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets/(liabilities) have been recognized are attributable to the following:

	February 28, 2023 $	February 28, 2022 $
Non-capital loss carryforwards	2,405,000	1,249,000
Property and equipment	194,000	104,000
Share issue costs	36,000	21,000
	2,635,000	1,374,000

The Company has non-capital losses available for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses expire as follows:

Expiry	$
2036	4,000
2037	12,000
2038	26,000
2039	28,000
2040	18,000
2041	148,000
2042	1,013,000
2043	1,157,000
Total	2,406,000

14. SUBSEQUENT EVENTS

On May 30, 2023, the Company granted 500,000 RSUs with a fair value of $0.03 per share for a total value of $15,000.