



**TELESCOPE INNOVATIONS CORP.  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2023 AND 2022**

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**INDEPENDENT AUDITORS' REPORT**

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To the Shareholders and Directors of Telescope Innovations Corp.

**Opinion**

We have audited the consolidated financial statements of Telescope Innovations Corp. and its subsidiary (the "Company") which comprise the consolidated statement of financial position as at August 31, 2023 and 2022, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information (together, the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at August 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**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 *Auditors' 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material Uncertainty Related to Going Concern**

We draw attention to Note 1 of the accompanying Financial Statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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 for the year ended August 31, 2023. 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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, the key audit matter to be communicated in our auditors' report is as follows:

**Revenue Recognition***Key Audit Matter Description*

Refer to Note 2(f) – Significant accounting policies, Note 3(d) – Significant accounting estimates and judgments, and Note 12 – Segmented information

The Company's generates revenue primarily from contract research services. The Company recognized total revenue of \$2.82 million of which \$2.68 million is for contract research services for the year ended August 31, 2023.

We identified the recognition of revenue as a key audit matter due to:

- The significance of revenue in the Company's operating results,
- The judgement required in determining when performance obligations are satisfied and control of goods or services transfers to the customer, and
- The effort in performing procedures related to revenue recognition.

## *Audit Response*

Our approach to addressing the matter included the following procedures:

- Understanding the Company's process for revenue and the design and implementation of controls for recognition
- Assessing the Company's policies for the recognition of revenue for compliance with the requirements of accounting standards
- Reconciling total revenue recognized for the year to specific research sales contracts
- Recalculating the revenue recognized for a sample of research service contracts based on the sales price and percentage completed at year end
- Testing how management determined the percentage of completion for a sample of research service contracts which involved evaluating contractual terms and phases, estimated timelines and obtaining support for the Company's performance including confirmation and customer reports
- Performed look-back procedures for a sample of research service contracts comparing estimated timelines to completion dates

### **Other Information**

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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 identified above 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 on this other information, 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

### **Auditors' 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 auditors' 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 auditors' 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 auditors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 auditors' 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 auditors' report is Joseph Bonvillain.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, British Columbia  
December 21, 2023

**TELESCOPE INNOVATIONS CORP.**  
Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)  
As at August 31, 2023 and 2022

	Note	2023	2022
<b>ASSETS</b>			
Current assets			
Cash		\$ 356,809	\$ 719,493
Accounts receivable		224,589	503,954
Contract assets	14	25,731	-
Inventory	5	248,600	-
Sales taxes recoverable		222,868	215,103
Prepaid expenses and deposits		128,380	58,053
<b>Total current assets</b>		<b>1,206,977</b>	<b>1,496,603</b>
Equipment	6	1,259,123	1,526,956
Long-term prepaid expense	17	824,412	-
<b>Total assets</b>		<b>\$ 3,290,512</b>	<b>\$ 3,023,559</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities		\$ 178,872	\$ 480,277
Amounts due to related parties	10	302,975	39,375
Deferred revenue		231,333	831,375
<b>Total liabilities</b>		<b>713,180</b>	<b>1,351,027</b>
<b>EQUITY</b>			
Share capital	8	10,337,105	8,954,720
Equity reserves	9	2,982,978	2,742,469
Accumulated deficit		(10,742,751)	(10,024,657)
<b>Total equity</b>		<b>2,577,332</b>	<b>1,672,532</b>
<b>Total liabilities and equity</b>		<b>\$ 3,290,512</b>	<b>\$ 3,023,559</b>

Nature of operations and going concern (Note 1)  
Commitments (Note 17)  
Subsequent event (Note 18)

Approved by the Board on December 21, 2023:

“Robert Mintak”  
Director

“James Andrew Robinson”  
Director

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

**TELESCOPE INNOVATIONS CORP.**

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

For the Years Ended August 31, 2023 and 2022

	Note	2023	2022
<b>Revenues</b>	<b>12</b>	<b>\$ 2,824,010</b>	<b>\$ 595,398</b>
<b>Expenses</b>			
Advertising and promotion		82,849	13,316
Amortization		303,598	276,340
Business development		-	93,563
Consulting		1,369,690	1,110,958
Foreign exchange gain		(3,644)	(9,873)
Insurance		35,217	12,252
Lab operations and supplies		221,686	353,413
Management fees	<b>10</b>	285,400	200,400
Office and miscellaneous		51,265	96,735
Parts	<b>5</b>	29,971	-
Patent costs	<b>7</b>	3,500	930,148
Professional fees		190,983	216,200
Regulatory and transfer agent fees		79,896	89,722
Research and development		-	59,559
Rent		132,985	111,508
Salaries and wages		325,413	-
Share-based payments	<b>9</b>	192,841	2,742,469
Travel		240,454	45,715
		<b>(3,542,104)</b>	<b>(6,342,425)</b>
<b>Net loss and comprehensive loss</b>		<b>\$ (718,094)</b>	<b>\$ (5,747,027)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.01)</b>	<b>\$ (0.12)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>		<b>52,716,406</b>	<b>48,424,426</b>

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

**TELESCOPE INNOVATIONS CORP.**  
Consolidated Statements of Changes in Equity  
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital Amount	Equity Reserves	Accumulated Deficit	Total Equity
<b>Balance, September 1, 2021</b>	<b>47,786,070</b>	<b>\$ 8,104,720</b>	<b>\$ -</b>	<b>\$ (4,277,630)</b>	<b>\$ 3,827,090</b>
Share-based payments (Note 9)	-	-	2,742,469	-	2,742,469
Shares issued for Technology Assignment Agreement (Note 8)	1,000,000	850,000	-	-	850,000
Net loss and comprehensive loss	-	-	-	(5,747,027)	(5,747,027)
<b>Balance, August 31, 2022</b>	<b>48,786,070</b>	<b>\$ 8,954,720</b>	<b>\$ 2,742,469</b>	<b>\$ (10,024,657)</b>	<b>\$ 1,672,532</b>
Share-based payments (Note 9)	-	-	192,841	-	192,841
Proceeds from private placements (Note 8)	4,879,499	1,382,385	47,668	-	1,430,053
Net loss and comprehensive loss	-	-	-	(718,094)	(718,094)
<b>Balance, August 31, 2023</b>	<b>53,665,569</b>	<b>\$ 10,337,105</b>	<b>\$ 2,982,978</b>	<b>\$ (10,742,751)</b>	<b>\$ 2,577,332</b>

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

**TELESCOPE INNOVATIONS CORP.**

Consolidated Statements of cash flows  
(Expressed in Canadian dollars)  
For the Years Ended August 31, 2023 and 2022

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	<b>2023</b>	<b>2022</b>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>Operating Activities</b>		
Net loss	\$ (718,094)	\$(5,747,027)
Adjustments for non-cash items:		
Share-based payments	192,841	2,742,469
Amortization	303,598	276,340
Shares issued for Technology Assignment Agreement	-	850,000
Change in non-cash working capital items		
Sales taxes recoverable	(7,765)	(151,444)
Accounts receivable – trade	279,365	(503,954)
Contract assets	(25,731)	-
Inventory	(248,600)	-
Prepaid expenses and deposits	(894,739)	58,492
Due to related parties	263,600	(10,625)
Accounts payable and accrued liabilities	(301,406)	283,209
Deferred revenue	(600,042)	831,375
Cash used in operating activities	(1,756,973)	(1,371,165)
<b>Investing Activities</b>		
Equipment purchases	(35,765)	(1,203,730)
Cash used in investing activities	(35,765)	(1,203,730)
<b>Financing Activities</b>		
Proceeds from the issuance of shares, net of costs	1,430,054	-
Cash provided by financing activities	1,430,054	-
<b>Decrease in cash during the year</b>	<b>(362,684)</b>	<b>(2,574,895)</b>
<b>Cash, Beginning</b>	<b>719,493</b>	<b>3,294,388</b>
<b>Cash, Ending</b>	<b>\$ 356,809</b>	<b>\$ 719,493</b>

**Supplemental Cash Flow Information**

Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

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



# TELESCOPE INNOVATIONS CORP.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended August 31, 2023 and 2022

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

Telescope Innovations Corp. (the “Company” or “Telescope”), was incorporated under the British Columbia Business Corporations Act on March 25, 2019. The Company intends to focus on the development as a Contract Research Organisation (“CRO”) to develop intellectual property, contract research and build automation products. The address of the Company’s corporate office and principal place of business is 301 – 2386 East Mall, Vancouver, BC V6T 1Z3, Canada. The Company’s common shares trade on the Canadian Securities Exchange (“CSE”) under the symbol “TELI” and on the OTCQB under the symbol “TELIF”.

These consolidated financial statements have been prepared on a going concern basis which assumes the continued realization of assets and satisfaction of liabilities and commitments in the normal course of business.

During the year ended August 31, 2023, the Company incurred a net loss of \$718,094, negative cash flows of \$1,756,973 from operating activities, and accumulated deficit of \$10,742,751 which has been funded primarily by equity financing. The Company’s ability to continue as a going concern is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors and generating profitable operations. 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.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements. Such adjustments could be material.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were approved and authorized for issuance by the Board of Directors on December 21, 2023.

### b) Basis of consolidation

These consolidated financial statements include the assets and operations of the Company and its wholly owned subsidiary 1280225 B.C. Ltd. All significant intercompany transactions and balances have been eliminated upon consolidation. On August 30, 2022, the Company amalgamated with its wholly owned subsidiary ClearMynd Technology Solutions Corp.

### c) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

## TELESCOPE INNOVATIONS CORP.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended August 31, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### d) Cash and cash equivalents

Cash in the statements of financial position is comprised solely of cash held in banks. The Company did not have any cash equivalents as of August 31, 2023 and 2022.

#### e) Income taxes

##### i) Current income tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and includes any adjustments to tax payable or receivable in respect of previous years.

##### ii) Deferred income tax

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### f) Revenue from Contracts with Customers

The Company applies IFRS 15, *Revenue from Contracts with Customers*. Accordingly, revenue is recognized when a customer obtains controls of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Revenue is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties.

The Company's generates revenues through contracts with customers to provide the sale of automation products and contract research. Revenue relating to the sale of products and services is recognized when control and ownership of the product has transferred or the deliverable for services is provided to the customer and an amount that reflects the consideration the Company expects to receive in exchange for the goods and services. Revenues from these contracts are recognized upon the achievement of agreed to milestones or periodically over the term of the contract when invoiced to the customer by the Company.

In instances where the Company cannot reasonably measure progress towards completing its performance obligations but expects to recover its costs incurred, the Company recognizes revenue only to the extent of costs incurred until it can reasonably measure the outcome of its performance obligations.

Deferred revenues represent amounts invoiced in excess of revenues recognized. For contracts with multiple performance obligations, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative stand-alone selling price basis.

## TELESCOPE INNOVATIONS CORP.

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended August 31, 2023 and 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### g) Inventories

Parts, work in process, and finished goods inventories are stated at the lower of cost and net realizable value, with cost being determined using first-in-first-out (“FIFO”) method. Net realizable value is 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. The Company maintains two categories of inventory: parts and finished goods.

#### h) Financial Instruments

##### Financial Assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. The Company measures cash at FVTPL. The Company’s accounts receivable is measured at amortized cost.

##### Impairment of Financial Assets

IFRS 9 uses the expected credit loss (“ECL”) model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company’s receivables.

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

## **TELESCOPE INNOVATIONS CORP.**

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended August 31, 2023 and 2022

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### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **h) Financial Instruments (continued)**

##### Financial Liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities required to be measured at FVTPL or if the Company has opted to measure them at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and due to related parties are measured at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

#### **i) Related parties**

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 when there is a transfer of resources or obligations between related parties.

#### **j) Equipment**

Equipment is recorded at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Residual values and useful economic lives are reviewed at least annually and are adjusted if appropriate at each reporting date. Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance expense during the period in which they are incurred. Gains and losses on disposal of equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized net within other income in the consolidated statement of comprehensive loss.

Amortization is recognized in profit or loss and equipment are amortized using the straight-line method over their estimated useful lives of five years.

#### **k) Research and development expenditures**

Research expenditures are expensed in the period incurred. Product development expenditures are expensed in the period incurred unless the product under development meets specific criteria related to technical, market and financial feasibility for deferral and amortization. The Company's policy is to amortize deferred product development expenditures over the expected future life of the product once product revenues or royalties are recorded.

## **TELESCOPE INNOVATIONS CORP.**

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended August 31, 2023 and 2022

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### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **l) Share capital**

The Company records the proceeds received net of direct issuance costs from the issuance of its common shares as equity. Proceeds received on the issuance of units, consisting of common shares and warrants are allocated between the common share and warrant component. The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

#### **m) Share-based payment transactions**

Employees receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is recognized, together with a corresponding increase in share-based payment reserves in equity, over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in statement of loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in share-based payments expense.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions, for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

#### **n) Loss per share**

The Company presents basic and diluted 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. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

## **TELESCOPE INNOVATIONS CORP.**

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended August 31, 2023 and 2022

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### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **o) Foreign currency**

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company and its subsidiaries operate ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

### **3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect of amounts recognized in the consolidated financial statements is as follows:

#### *Accounting estimates*

#### **a) Allowance for doubtful accounts**

Management applies judgement in evaluating its accounts receivable for doubtful accounts based on the length of time an account has been outstanding and history of collection. In measuring doubtful accounts, management uses an estimate reflecting its expected recoverable amount.

#### **b) Share-based compensation**

Management uses the Black-Scholes option pricing model to determine the fair value of stock options and standalone share purchase warrants issued. This model requires assumptions of the expected future price volatility of the Company's common shares, expected life of options and warrants, future risk-free interest rates, and the dividend yield of the Company's common shares.

#### **c) Inventory allowance**

In the valuation of inventory, management considers the net realizable value of its inventory which includes an estimate of expected future sales prices. When the sales amount expected to be realized exceed the carrying value of inventory based on cost, a provision is recorded to write-down the value of inventory to its net realizable value.

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### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

#### d) Useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of relevant assets. In addition, the estimation of the useful lives is based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in estimated useful lives would increase the recorded expenses and decrease the non-current assets.

#### *Accounting Judgements*

#### e) Revenue recognition

Revenue is recognized when performance obligations are identifiable and recorded when goods or services are delivered to customers. Transaction prices are derived from specific selling prices either at the time of delivery or when the contract is signed with the customer for future delivery of products or services. The Company determines revenue to be recognized at a point in time when the physical asset or service is immediately transferred or consumed by the end customer. Revenue is considered to be transferred over a period of time when a series of activities are performed over a longer period of time to deliver a service or good to the customer.

The Company applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction.

#### ***Contract Research Services***

Once a contract is sufficiently advanced and the outcome of the contract can be measured reliably, contract revenue, costs and profits are recognized over the period of the contract by reference to the stage of completion of each contract. Revenue is recognized over time when one of the following criteria is met:

- I. the customer simultaneously receives the benefits provided by the Company's performance as the Company performs
- II. the Company's performance does not create an asset with an alternative use to the Company
- III. the Company has an enforceable right to payment for performance completed to date

The stage of completion of a contract is determined based upon the proportion of work performed and timeline to complete each phase.

Prior to this recognition, stage receipts from customer are recorded in the statement of financial position as deferred revenue which is contract liability. If contract costs are expected to exceed contract revenue, the expected loss is recognized immediately in the statement of operations.

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### **3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)**

#### **e) Revenue recognition (continued)**

Contract revenue includes an assessment of the amounts agreed in the contract, plus or less any variations in contract work and claims to the extent that they are approved and can be measured reliably.

Once revenue has started to be recognized on an individual contract, the Company reports the position for each contract as either an asset or a liability. In instances where amounts recognized in revenue are in excess of amounts invoiced a contract asset is recognized. Similarly, a contract liability is recognized where billings to date exceed revenue recognized.

The carrying amount of contract asset and revenue recognized from contract research services reflect management's best estimate about each contract's outcome and stage of completion but is subject to estimation uncertainty.

#### **f) Going concern**

As discussed in Note 1, these consolidated financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the consolidated statement of financial position classifications used and such adjustments could be material. The Company reviews the going concern assessment at the end of each reporting period.

#### **g) Valuation of deferred tax assets and liabilities**

Deferred tax assets and liabilities require management judgment in order to determine the amounts to be recognized. This includes assessing the timing of the reversal of temporary differences to which deferred income tax rates are applied. Deferred tax assets are estimated with consideration given to the timing, sources and amounts of future taxable income.

### **4. NEW ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE**

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant effect on the Company's consolidated financial statements. The Company did not adopt any new accounting pronouncements during 2023 which had a significant impact on the consolidated financial statements.



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### 5. INVENTORIES

Parts, work in process, and finished goods inventories are stated at the lower of cost and net realizable value, with cost being determined using a weighted average method. Net realizable value is 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. The Company maintains two categories of inventory: parts and finished goods.

As of August 31, 2023, and 2022, the Company valued its inventory as follows:

	<b>2023</b>	<b>2022</b>
Finished goods	\$ 59,941	\$ -
Parts	188,659	-
	<b>\$ 248,600</b>	<b>\$ -</b>

The amount of inventory recognized as expense during the year ended August 31, 2023, was \$29,971 (2022 - \$Nil).

### 6. EQUIPMENT

During the year ended August 31, 2023, the Company purchased \$128,216 of equipment (2022 - \$1,203,730). The equipment is being depreciated using the straight-line method over a five useful life of the equipment.

	Office and lab equipment
<b>Cost</b>	
Balance, August 31, 2021	\$ 599,566
Additions	1,203,730
Balance, August 31, 2022	1,803,296
Additions, net of adjustments	35,765
<b>Balance, August 31, 2023</b>	<b>\$ 1,839,061</b>
<b>Accumulated amortization</b>	
Balance, August 31, 2021	-
Additions	276,340
Balance, August 31, 2022	276,340
Additions	303,598
<b>Balance, August 31, 2023</b>	<b>579,938</b>
<b>Net book value</b>	
Balance, August 31, 2022	1,526,956
<b>Balance, August 31, 2023</b>	<b>\$ 1,259,123</b>

## **TELESCOPE INNOVATIONS CORP.**

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### **7. TECHNOLOGY ASSIGNMENT AGREEMENT**

On November 29, 2021, the Company entered into an agreement with the University of British Columbia ("UBC") in which UBC has agreed to assign all interest in and to a provisional patent application related to the development of scalable synthetic psilocybin and other tryptamine compounds. The Company was also granted the option by UBC to acquire additional technological developments related to the patent application in the future. In consideration for the assignment of the interest, and the grant of the option, on January 10, 2022, the Company issued 1,000,000 common shares with a fair value of \$ 850,000 to UBC which was included in expenses as patent costs.

### **8. SHARE CAPITAL**

#### ***Authorized***

The Company is authorized to issue an unlimited number of common shares without par value.

#### ***Escrow Shares***

In connection with the Company's direct listing on the Canadian Securities Exchange during 2022, the Company entered into an Escrow Agreement dated September 27, 2021, whereby 11,643,741 common shares were held in escrow and are scheduled for release in accordance with the terms of the Escrow Agreement. As at August 31, 2023, there were 5,239,681 common shares in escrow. The balance of escrow shares will be released between September 1, 2023 and September 27, 2024.

#### ***Share issuance***

During the year ended August 31, 2023, the Company carried out the following common share transaction:

On November 10, 2022, the Company closed a private placement and issued 4,879,499 units of the Company at a price of \$0.30 per unit for gross proceeds of \$1,463,850. The Company allocated \$1,415,055 of the proceeds to share capital and \$48,795 for the fair value of warrants to reserves using the residual value method. Each Unit consists of one common share in the capital of the Company and one-half-of-one Common Share Purchase warrant. Each unit warrant entitles the holder to acquire an additional Common Share at a price of \$0.75 per Warrant Share until November 10, 2024. The Company paid finders' fees of \$33,796 related to the private placement, which was recorded as share issuance costs.

During the year ended August 31, 2022, the Company carried out the following common share transaction:

On November 29, 2021, the Company entered into an agreement with the University of British Columbia ("UBC") in which UBC has agreed to assign all interest in and to a provisional patent application and intellectual property related to the development of scalable synthetic psilocybin and other tryptamine compounds. The Company was also granted the option by UBC to acquire additional technological developments related to the patent application in the future. In consideration for the assignment of the interest, and the grant of the option, on January 10, 2022, the Company issued 1,000,000 common shares with an estimated fair value of \$850,000 to UBC.

## TELESCOPE INNOVATIONS CORP.

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### 9. OPTIONS AND WARRANTS

#### Options

The Company has a stock option plan in place under which it is authorized to grant options to officers, directors, employees, consultants and management company employees enabling them to acquire up to 3,242,410 common shares of the Company. Under the plan, the exercise price of each option shall not be less than the price permitted by the CSE stock exchange. The options can be granted for a maximum term of 10 years.

- a. On October 28, 2021, the Company issued 1,600,000 stock options to consultants and officers with an exercise price of \$0.50 for a period of five years. The stock options will vest on March 1, 2022.
- b. On November 23, 2021, the Company issued 1,725,000 stock options to consultants and officers with an exercise price of \$0.90 for a period of five years. The options vested on March 24, 2022.
- c. On March 14, 2022, the Company issued 100,000 stock options to a consultant with an exercise price of \$0.55 for a period of five years. The options vested on July, 2022.
- d. On July 19, 2022, the Company issued 500,000 options to consultants with an exercise price of \$0.35 for a period of five years. The options vested on November 20, 2022.
- e. On May 5, 2023, the Company issued 350,500 stock options to employees with an exercise price of \$0.14 for a period of five years. The option vested on September 5, 2023.
- f. On August 2, 2023, the Company issued 800,000 stock options to directors with an exercise price of \$0.27 for a period of five years. The options vest as follows: 66,667 options on August 31, 2023; 200,000 options on November 30, 2023; 200,000 options on February 28, 2024; 200,000 options on May 31, 2024; and 133,333 options on July 31, 2024.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	October 28, 2021	November 23, 2021	March 14, 2022	July 19, 2022	May 5, 2023	August 2, 2023
Volatility*	165%	167%	167%	166%	149%	156%
Risk-free interest rate	1.69%	1.57%	1.93%	3.08%	3.02%	4.04%
Dividend yield	0%	0%	0%	0%	0%	0%
Expected life	5 years	5 years	5 years	5 years	5 years	5 years
Expected forfeiture rate	0%	0%	0%	0%	0%	0%
Weighted average grant date value	\$0.71	\$0.87	\$0.52	\$0.33	\$0.13	\$ 0.25

\*As the Company does not have publicly traded information for 5 years, volatility was estimated using publicly traded comparable companies.

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**9. OPTIONS AND WARRANTS (continued)**

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance at August 31, 2021	-	\$ -
Options granted	3,925,000	\$ 0.66
Balance at August 31, 2022	3,925,000	\$ 0.66
Options cancelled	(1,000,000)	\$ 0.90
Options forfeited	(150,000)	\$ 0.90
Options granted	1,150,500	\$ 0.23
Balance at August 31, 2023	3,925,500	\$ 0.46

The following table summarizes stock options outstanding and exercisable at August 31, 2023:

Exercise Price	Number of Shares	Expiry Date	Options Outstanding		Options Exercisable	
			Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$				\$		\$
0.50	1,600,000	October 28, 2026	1.29	0.20	1,600,000	0.28
0.90	575,000	November 23, 2026	0.47	0.14	575,000	0.18
0.55	100,000	March 14, 2027	0.09	0.01	100,000	0.02
0.35	500,000	July 19, 2027	0.49	0.04	500,000	0.06
0.14	350,500	May 5, 2028	0.43	0.01	-	-
0.27	800,000	August 2, 2028	1.00	0.06	66,667	0.08
	3,925,500		3.77	0.46	2,841,667	0.62

A summary of issued and outstanding warrants is as follows:

	Number of warrants	Weighted average exercise price
Outstanding August 31, 2022 and 2021	-	-
Issued	2,439,749	\$ 0.75
Outstanding August 31, 2023	2,439,749	\$ 0.75

The following warrants were outstanding at August 31, 2023:

Number of Warrants	Exercise Price	Expiry Date
2,439,749	\$ 0.75	November 10, 2024

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### 10. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel include the Company's Board of Directors and Officers of the Company. The Company's related parties include key management personnel, and companies related by way of directors or shareholders in common.

(a) Key management personnel compensation is comprised of the following:

The remuneration of directors and other members of key management personnel during the years ended August 31, 2023, and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
Consulting and management fees	\$ 471,784	\$ 228,900
Share based payments	42,363	1,208,540
	<b>\$ 514,147</b>	<b>\$ 1,437,440</b>

(b) Amounts due to/from related parties

In the normal course of operations, the Company transacts with companies related to the Company's directors and officers. All amounts payable and receivable are non-interest bearing, unsecured and due on demand. The following table summarizes the amounts due to related parties:

	<b>2023</b>	<b>2022</b>
Dr. Jason Hein	\$ 249,950	\$ 45,364
Emprise Management Services Corp.	53,025	29,925
	<b>\$ 302,975</b>	<b>\$ 75,289</b>

(c) Other related party transactions

The Company recognizes Standard Lithium Ltd as a related party due to common directors. Mr. Rob Mintak and Dr. Andy Robertson serve as directors of Standard Lithium Ltd ("STL") and Telescope Innovations Corp. During the year ended August 31, 2022, the Company entered into multiple service contracts and received total proceeds of \$899,903 of which \$831,375 was included in deferred revenues. The Company recognized \$791,786 of the prior year deferred revenue as revenue in the current year. During the current year, the Company entered into new service contracts with STL and received total proceeds of \$1,147,756 of which \$169,487 was included in deferred revenues as at August 31, 2023. The total revenues recognized from STL contracts for the year was \$1,770,055. As at August 31, 2023, \$107,686 in payable from STL to the Company and included in accounts receivable.

## TELESCOPE INNOVATIONS CORP.

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### 11. INCOME TAXES

The following table reconciles the amount of income tax expense on application of the combined statutory Canadian federal and provincial income tax rates:

	<b>2023</b>	<b>2022</b>
<u>Combined statutory income tax rate</u>	<u>27.00%</u>	<u>27.00%</u>
Expected income tax recovery at statutory rates	\$ (194,000)	\$ (1,552,000)
Permanent and other differences	465,000	741,000
Change in tax benefits not recognized	(271,000)	811,000
<u>Provision for income tax expense</u>	<u>\$ -</u>	<u>\$ -</u>

The significant components of deferred income tax assets not recognized are presented below:

	<b>2023</b>	<b>2022</b>
Non-capital loss carry-forwards	\$ 550,000	\$ 1,160,000
Other	-	3,000
Equipment	409,000	75,000
Financing Fees	14,000	6,000
<u>Change in unrecognized deferred tax assets</u>	<u>(973,000)</u>	<u>(1,244,000)</u>

The Company had non-capital losses carried forward of approximately \$2,036,000 available to reduce income taxes in future years which expire between 2040 and 2044.

	<b>Expiry Dates</b>	<b>2023</b>
Non-capital losses	2040 – 2043	\$ 2,036,000
Other	No expiry	1,514,000
Equipment	No expiry	276,000
Financing fees	2044 - 2047	51,000

## TELESCOPE INNOVATIONS CORP.

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### 12. SEGEMENTED INFORMATION

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, and for which discrete financial information is available. The Company has one operating segment that generates revenues from two revenue streams, contract research services and sale of automation products. Revenue from the two sources for the year ended August 31, 2023 and 2022 are as follows:

	Year ended August 31, 2023	Year Ended August 31, 2022
Contract research services	\$ 2,684,913	\$ 595,398
Automation product sales	139,097	-
<b>Total</b>	<b>2,824,010</b>	<b>595,398</b>

The Company's customers are located in 3 geographical locations:

	Year ended August 31, 2023	Year Ended August 31, 2022
<b>Contract research services</b>		
Canada	\$ 2,243,239	\$ 65,264
United States	441,674	530,134
<b>Total</b>	<b>2,684,913</b>	<b>595,398</b>

	Year ended August 31, 2023	Year Ended August 31, 2022
<b>Automation product sales</b>		
Europe	29,537	-
United States	109,559	-
<b>Total</b>	<b>139,097</b>	<b>-</b>

### 13. CONCENTRATION OF CUSTOMERS

During the year ended August 31, 2023, the Company's revenue includes sales to three major customers which comprised of 10%, 11%, and 63% of total revenue generated from all sources. As at August 31, 2023, there was \$107,686 due from one of these customers included in accounts receivable.

During the year ended August 31, 2022, the Company's revenue includes sales to one major customer which comprised of 93% of total revenues generated from all sources. As at August 31, 2022 there was \$503,954 due from this customer included in accounts receivable.

## TELESCOPE INNOVATIONS CORP.

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### 14. CONTRACT ASSETS AND LIABILITIES

The Company receives payments from customers based on the stage of completion of a contract. Contract assets relate to the Company's conditional right to consideration for the completed performance under the contract. Accounts receivable are recognized when the right to consideration becomes unconditional. Contract Liabilities relate to stage payments that are received in advance of performance under the contract and are presented as deferred revenue.

### 15. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to develop scalable manufacturing processes and tools for the pharmaceutical and chemical industry. The Company does not have any externally imposed capital requirements to which it is subject to.

The Company considers the aggregate of all components of equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

### 16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

The Company's financial instruments include cash, accounts receivable, accounts payable, and due to related parties. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

The following table summarizes information regarding the carrying values of the Company's financial instruments:

	August 31, 2023 \$	August 31, 2022 \$
FVTPL (i)	356,809	719,493
Financial assets at amortized cost (ii)	250,320	503,954
Financial liabilities at amortized cost (iii)	(393,361)	(410,081)

- (i) Cash and cash equivalents
- (ii) Accounts receivable
- (iii) Accounts payable and due to related parties

#### *Financial Instruments and Fair Value Measurements*

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).



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### 16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

The following table sets forth the Company's financial assets and financial liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as at August 31, 2023:

	Level 1	Level 2	Level 3
<b>August 31, 2023</b>			
Cash	\$ 356,809	\$ –	\$ –
<b>Total financial assets</b>	<b>\$ 356,809</b>	<b>\$ –</b>	<b>\$ –</b>

At August 31, 2023, cash of \$356,809 (2022 - \$ 719,493) was classified as level 1. There were no transfers into or out of level 2 or level 3 during the year.

#### *Fair value*

The fair values of the Company's financial instruments approximate their carrying values as at August 31, 2022 and 2023 because of the demand nature or short-term maturity of these instruments.

The Company's financial instruments include cash, accounts receivable, accounts payable, and amounts due to related parties. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *Financial Risk*

##### (i) Credit Risk

Credit risk arises from non-performance by counterparties of contractual financial obligations. The Company's maximum credit risk is primarily attributable to its cash and accounts receivable. The Company limits its exposure to credit loss for cash by placing such instruments with large Canadian financial institutions. The Company has not recorded an allowance for doubtful accounts against its trade receivables as all balances owed are settled in full when due (usually 90 days or less).

##### (ii) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient financial resources to meet liabilities when due. As at August 31, 2023, the Company had working capital of \$493,797. All of the Company's accounts payable and amounts due to related parties have contractual maturities of less than 30 days and are subject to normal trade terms.

##### (iii) Interest Rate Risk

In management's opinion, the Company's interest rate risk is minimal as the Company does not have any indebtedness that bears interest at fixed or variable rates.

##### (iv) Foreign currency risk

The Company's functional currency is the Canadian dollar. The Company's head office and operating expenses are mainly denominated in Canadian dollars although some of the Company's revenue is denominated in US dollars. If the US dollar depreciates compared to the Canadian dollar revenue would decrease in Canadian dollars.

## TELESCOPE INNOVATIONS CORP.

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### 16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

As at August 31, 2023, \$16,710 (2022- \$Nil) of the Company's liabilities and \$146,647 (August 31, 2022 - \$384,375) of its current assets are denominated in US dollars. A 10% change in the US/Canadian dollar exchange rate would result in a \$16,336 net impact on the Company's foreign exchange gain or loss. As at August 31, 2023, the Company is moderately exposed to foreign exchange fluctuations.

### 17. COMMITMENTS

In April 2023, the Company entered into a lease agreement for its laboratory and corporate offices which commenced on October 1, 2023. The lease agreement required the Company to pay a total of \$824,412 for the first two years of the monthly payments in advance which is included in prepaid expenses and deposits at August 31, 2023. As at August 31, 2023, the lease has not commenced and the Company has not taken possession of the laboratory and office space, therefore, no lease liability and related right-to-use has been recognized as at the 2023 year-end.

	<b>August 31, 2023</b>
Not later than one year	\$ 391,960
Later than one year and not later than five years	2,203,259
Later than five years	1,829,955
	<b>\$ 4,425,174</b>

### 18. SUBSEQUENT EVENT

On November 1, 2023, 357,550 options were granted to employees of the Company with a weighted average price of \$0.20 and expire in 5 years from the grant date.