



PERK LABS INC.

Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended August 31, 2022 and 2021

(Unaudited)

(Expressed in Canadian Dollars)

PERK LABS INC.

Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended August 31, 2022 and 2021

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PERK LABS INC.**Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in Canadian Dollars)**

As at	(Unaudited) August 31 2022	November 30 2021
ASSETS		
Current		
Cash and cash equivalents	\$ 718,892	\$ 1,287,468
Amounts receivable	6,737	29,579
Marketable securities (note 5)	12,484	987,828
Inventory	5,698	9,074
Prepaid expenses and deposits	197,520	83,360
Current portion of note receivable	1,919	–
	943,250	2,397,309
Property and equipment (note 7)	63,822	135,221
Marketable securities (note 5)	–	651,994
Note receivable	3,867	–
Intangible assets	234	–
Total assets	1,011,173	3,184,524
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 17)	\$ 251,229	\$ 302,110
Current portion of deferred revenue	8,392	–
Current portion of lease liabilities (note 18)	83,773	99,702
	343,394	401,812
Deferred Revenue	5,622	–
Lease liabilities (note 18)	–	56,964
Total liabilities	349,016	458,776
SHAREHOLDERS' EQUITY		
Share capital (note 8)	37,008,871	36,359,451
Reserves (notes 8 and 9)	5,989,207	5,883,976
Deficit	(42,335,921)	(39,517,679)
Total shareholders' equity	662,157	2,725,748
Total liabilities and shareholders' equity	\$ 1,011,173	\$ 3,184,524

Going concern (note 2)

Commitments (note 18)

Subsequent events (note 20)

Authorized for issuance by the Board of Directors on September 27, 2022.

/s/ James Topham

Director

/s/ Kirk Herrington

Director

PERK LABS INC.
Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)
(Unaudited)
(Expressed in Canadian Dollars)

	Note(s)	Three Months Ended		Nine Months Ended	
		August 31 2022	August 31 2021	August 31 2022	August 31 2021
Revenue	15	\$ 5,403	\$ 6,447	20,406	\$ 22,905
Cost of sales		4,107	4,004	13,381	24,327
Gross margin (loss)		1,296	2,443	7,025	(1,422)
Operating Expenses					
Depreciation	7	23,742	32,037	71,399	73,224
General and administration	10	295,291	309,832	940,605	877,514
Research and development	11	132,300	204,742	538,014	577,144
Sales and marketing	12	84,330	115,127	309,053	461,684
Share-based compensation	8,9,17	98,600	55,261	142,131	406,142
Total operating expenses		634,262	716,999	2,001,202	2,395,708
Loss before other income (expenses)		(632,966)	(714,556)	(1,994,177)	(2,397,130)
Other income (expenses)					
Foreign exchange gain (loss)		(1,532)	1,993	(4,617)	(4,466)
Gain on sale of property and equipment		8,922	-	18,932	-
Gain on sale of marketable securities	5	76,390	24,055	192,763	181,410
Government subsidies and grants	16	-	7,500	25,275	296,711
Interest expense	18	(4,128)	(7,898)	(15,245)	(25,876)
Interest income		916	932	2,145	3,174
Other Income		-	-	9	-
Unrealized gain (loss) on marketable securities	5	(338,274)	(392,376)	(1,043,327)	1,107,160
Total other income (expenses)		(257,706)	(365,794)	(824,065)	1,558,113
Net loss and comprehensive loss for the period		\$ (890,672)	\$(1,080,350)	(2,818,242)	\$ (839,017)
Net income (loss) per share					
Basic and diluted		\$ (0.00)	\$ (0.01)	(0.01)	\$ (0.00)
Weighted average number of shares outstanding (basic)		193,662,768	177,191,055	190,995,574	171,369,658
Weighted average number of shares outstanding (diluted)		193,662,768	177,191,055	190,995,574	171,369,658

PERK LABS INC.**Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)
(Expressed in Canadian Dollars)**

	Number of Shares	Share Capital	Reserves	Deficit	Total Equity
Balance, November 30, 2021	182,313,919	\$ 36,359,451	\$ 5,883,976	\$ (39,517,679)	2,725,748
Shares issued for cash	14,670,138	522,017	–	–	522,017
Share issuance costs	–	(18,930)	–	–	(18,930)
Shares issued for services	3,321,302	109,433	–	–	109,433
Shares issued under RSU plan	352,167	36,900	(36,900)	–	–
Share-based compensation	–	–	142,131	–	142,131
Net loss for the period	–	–	–	(2,818,242)	(2,818,242)
Balance, August 31, 2022	200,657,526	\$ 37,008,871	\$ 5,989,207	\$ (42,335,921)	662,157

	Number of Shares	Share Capital	Reserves	Deficit	Total Equity
Balance, November 30, 2020	152,474,995	\$ 33,568,508	\$ 5,518,697	\$ (38,030,367)	1,056,838
Shares issued for cash	24,394,000	2,483,108	–	–	2,483,108
Share issuance costs	–	(117,908)	–	–	(117,908)
Shares issued for services	1,440,229	137,610	–	–	137,610
Stock options exercised	60,000	14,766	(5,766)	–	9,000
Warrants exercised	687,173	54,974	–	–	54,974
Shares issued under RSU plan	565,125	55,206	(55,206)	–	–
Share-based compensation	–	–	406,142	–	406,142
Net income for the period	–	–	–	(839,017)	(839,017)
Balance, August 31, 2021	179,621,522	\$ 36,196,264	\$ 5,863,867	\$ (38,869,384)	3,190,747

PERK LABS INC.**Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in Canadian Dollars)**

	Nine Months Ended	
	August 31 2022	August 31 2021
Cash provided by (used in)		
Operating activities		
Net loss	\$ (2,818,242)	\$ (839,017)
Items not affecting cash:		
Depreciation	71,399	73,224
Gain on sale of marketable securities	(192,763)	(181,410)
Gain on sale of property and equipment	(18,932)	–
Interest expense on lease liability	15,245	25,876
Issuance of note receivable	(5,786)	–
Shares issued for services	109,433	137,610
Share-based compensation	142,131	406,142
Unrealized loss (gain) on marketable securities	1,043,327	(1,107,160)
	(1,654,188)	(1,484,735)
Net change in non-cash working capital	(124,809)	(134,646)
	(1,778,997)	(1,619,381)
Investing activities		
Acquisition of property and equipment	–	(2,354)
Acquisition of intangible assets	(234)	–
Proceeds from sale of property and equipment	18,932	–
Proceeds from sale of marketable securities	776,773	181,410
	795,471	179,056
Financing activities		
Proceeds from share issuances	522,017	2,547,082
Share issuance costs	(18,930)	(117,908)
Repayment of lease liabilities	(88,138)	(80,327)
	414,949	2,348,847
Net increase (decrease) in cash	(568,577)	908,522
.....		
Cash, beginning of the period	1,287,468	784,117
Cash, end of the period	\$ 718,892	\$ 1,692,639
Supplemental cash flow information (note 14)		
Non-cash investing and financing activities		
Issuance of note receivable	5,786	–

PERK LABS INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in Canadian Dollars)

For the Three and Nine Months Ended August 31, 2022 and 2021

1. NATURE OF OPERATIONS

Perk Labs Inc. (“Perk Labs” or the “Company”) was incorporated under the laws of the Province of British Columbia on October 24, 2014. The Company’s office is located at Suite 1755, 555 Burrard Street, Vancouver, British Columbia, V7X 1M9.

The Company’s common shares trade on the Canadian Securities Exchange (“CSE”) under the symbol PERK (formerly GET) and began trading on September 7, 2016; on the OTCQB under the symbol PKLBF (formerly GLNNF); and on the Frankfurt Stock Exchange under the symbol PKLB (formerly GJT).

These condensed consolidated interim financial statements include the accounts of Perk Labs Inc. and its three wholly owned subsidiaries: Perk Hero Software Inc. (formerly Glance Pay Inc.); Perk Hero USA Inc. (formerly Glance Pay USA Inc.); and Perks Technologies Inc. (formerly Glance Coin Inc.).

The Company's principal business is operating an online ordering, payments and loyalty platform. The company offers merchants three main products: online ordering, digital dine-in and custom branded apps and licenses distributes its products through a unique digital franchise business model. The Company launched its *Glance Pay* application in August 2016 and officially launched *Perk Hero* on April 2, 2020. *Perk Hero* is a digital loyalty management platform that enables merchants to provide their customers with digital rewards and a more engaging and convenient customer experience.

2. GOING CONCERN

These condensed consolidated interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company’s ability to continue as a going concern. During the nine-month period ended August 31, 2022, the Company incurred a net loss from operations of \$2,818,242 (August 31, 2021 – \$839,017) and used cash of \$1,778,997 (August 31, 2021 - \$1,619,381) for operating activities. As of that date, the Company had an accumulated deficit of \$42,335,921 (November 30, 2021 - \$38,869,384).

The Company is continuing to enhance its mobile and online ordering platform. The continued operations of the Company are dependent on future profitable operations, management’s ability to manage costs, and the future availability of equity or debt financing. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to August 31, 2022 is uncertain. These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate and the impact of those adjustments could be material.

The outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company’s supply chain and operations. The COVID-19 pandemic has impacted and could further impact the Company’s operations and the operations of the Company’s suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions.

PERK LABS INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in Canadian Dollars)

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2. GOING CONCERN (continued)

The extent to which the COVID-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the rise of additional variants beyond Omicron SARS-CoV-2 Omicron Variant BA.2 and Sublineages of BA.2.; the effects of the COVID-19 pandemic on the Company's suppliers, vendors, and customers and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future; therefore, the Company cannot reasonably estimate the impact at this time on our business, liquidity, capital resources, and financial results.

3. BASIS OF PREPARATION

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards 34, "*Interim Financial Reporting*" ("IAS 34") as issued by the International Accounting Standards Board ("IASB") using accounting policies consistent with International Financial Reporting Standards ("IFRS"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed.

The unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the annual audited consolidated financial statements for the year ended November 30, 2021, and should be read in conjunction with those consolidated financial statements.

b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments that are measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c) Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries on a consolidated basis after elimination of intercompany transactions and balances. Subsidiaries are entities the Company controls where it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

PERK LABS INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) (Expressed in Canadian Dollars)

For the Three and Nine Months Ended August 31, 2022 and 2021

3. BASIS OF PREPARATION (continued)

d) Critical accounting judgments and estimates

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

Significant areas requiring the use of estimates include the carrying values of marketable securities, the collectability of amounts receivable, useful lives and carrying values of property and equipment, useful lives, carrying values, and the incremental borrowing rate used for the right-of-use assets and lease liabilities, and the fair value of share-based compensation.

Judgments made by management in the application of IFRS that have significant effect on the condensed consolidated interim financial statements include the factors that are used in determining the fair value of privately held investments, the discount rates applied on marketable securities held in escrow and for the lack of liquidity in the trading volume of the Company's investment in certain marketable securities, the incremental borrowing rate used in the valuation of right-of-use assets and lease liabilities, determination of revenue recognition for contracts with multiple obligations, and the application of the going concern assumption which requires management to take into account all available information about the future, at least but not limited to twelve months from the reporting period.

e) Government Grants

The Company recognizes government grants when there is a reasonable assurance that the Company will comply with the conditions of the grant and the grant will be received. Government grants receivable are recorded in the amounts receivable on the condensed consolidated interim statement of financial position. The Company recognizes government grants in the condensed consolidated interim statement of operations in the same period as the expenses for which the grant is intended to compensate. In cases where a grant becomes receivable as compensation for expenses already incurred in prior periods, the grant is recognized in the statement of operations in the period in which it becomes receivable.

4. ADOPTION OF NEW STANDARDS

Amendment to IAS 1, Classification of Liabilities as Current or Non-Current

On January 23, 2020, and amended on July 15, 2020, the IASB issued an amendment to IAS 1, Classification of Liabilities as Current or Non-Current ("IAS 1") and has been revised to: i) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period; (ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and (iii) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets, or services.

The amendment to IAS 1 is effective for annual reporting periods on or after January 1, 2023 and is applied retrospectively. Early adoption of this amendment is permitted. The Company is currently

PERK LABS INC.**Notes to the Condensed Consolidated Interim Financial Statements
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evaluating the impact of this amendment to its consolidated financial statements.

4. ADOPTION OF NEW STANDARDS (continued)*Amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*

On February 12, 2021, the IASB issued an amendment to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) to introduce the definition of an accounting estimate and include other amendments to help entities to distinguish changes in accounting estimates from changes in accounting policies.

The amendment to IAS 8 is effective for annual reporting periods on or after January 1, 2023 and early adoption is permitted. The Company is currently evaluating the impact of this amendment on its consolidated financial statements.

Other new standards and amendments to standards and interpretations are not effective for the period ended August 31, 2022 and have not been early adopted by the Company and are not expected to have a material impact on the Company’s condensed consolidated interim financial statements.

5. MARKETABLE SECURITIES

	August 31 2022		November 30 2021
	Fair Value		
Current			
Better Plant Sciences Inc. (shares)	\$ 11,038	\$	45,000
Better Plant Sciences Inc. (warrants)	1,446		31,195
Hero Innovation Group Inc. (shares)	–		911,633
	\$ 12,484	\$	987,828
Non-current			
Hero Innovation Group Inc. (shares)	–		651,994
	\$ –	\$	651,994
	\$ 12,484	\$	1,639,822

Better Plant Sciences Inc. (formerly The Yield Growth Corp.) (“BPS”)

During the nine months ended August 31, 2022, the Company sold 200,000 (August 31, 2021 – 1,750,000) shares of BPS for proceeds of \$15,355 (August 31, 2021 - \$181,410) resulting in a realized gain of \$15,355 (August 31, 2021 - \$181,410). On January 19, 2022, BPS announced a stock consolidation on the basis of one (1) post-consolidated common share for every ten (10) pre-consolidated common shares.

At August 31, 2022, the fair value of the 546,000 (November 30, 2021 – 546,000) BPS warrants was \$1,446 (November 30, 2021 - \$31,195) calculated using the Black-Scholes option pricing model assuming no expected dividends, an expected life remaining of 1.2 (November 30, 2021 – 1.9) years, volatility of 121% (November 30, 2021 – 131%), and a risk-free rate of 3.67% (November 30, 2021 – 1.00%). For the nine months ended August 31, 2022, the Company recognized an unrealized loss of \$29,749 (November 30, 2021 –\$75,715) on the BPS warrants.

PERK LABS INC.**Notes to the Condensed Consolidated Interim Financial Statements
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For the Three and Nine Months Ended August 31, 2022 and 2021

5. MARKETABLE SECURITIES (continued)**Better Plant Sciences Inc. (formerly The Yield Growth Corp.) (“BPS”) (continued)**

BPS announced on February 14, 2022 a reverse merger transaction between BPS, Metaverse Networks Inc. and 1233392 B.C. Ltd. The trading of BPS common shares is currently halted until the transaction is finalized and permission to resume has been obtained from the Canadian Securities Exchange.

Hero Innovation Group Inc. (formerly Euro Asia Pay Holdings Inc.) (“HRO”)

On February 25, 2021, HRO completed its initial public offering of shares at a price to the public of \$0.25 per share. Perk Labs received 8,500,000 shares of HRO as part of a licensing agreement dated October 14, 2017, as amended on September 30, 2018. HRO shares are subject to both a pooling and an escrow agreement in which 3,400,000 shares have been released as of August 31, 2022. The remaining 5,100,000 shares in escrow will be released in 1,275,000 share tranches every nine months with the next release date in August 2022.

During the quarter ended August 31, 2022, the Company entered into share transfer agreements for the sale of 2,539,000 remaining released shares of Hero Innovation Group Inc. at \$0.08 per share, for total proceeds of \$203,120. The company also entered into a share purchase agreement to sell its remaining balance of 5,100,000 escrow common shares at \$0.08 per share, for total proceeds of \$408,000.

During the nine months ended August 31, 2022, the Company sold a total of 8,343,000 (August 31, 2021 – Nil) shares of HRO for proceeds of \$761,418 (August 31, 2021 - \$Nil) resulting in a realized gain of \$177,408 (August 31, 2021 - \$Nil).

6. PREPAID EXPENSES AND DEPOSITS

	August 31 2022	November 30 2021
Deposit on office premises	\$ 49,697	\$ 49,697
Other prepaid expenses	147,823	33,663
	\$ 197,520	\$ 83,360

7. PROPERTY AND EQUIPMENT

	November 30 2020	Additions	November 30 2021	Dispositions	August 31 2022
Cost					
Computer equipment	\$ 173,594	\$ 2,354	\$ 175,948	\$ (45,782)	\$ 130,166
Furniture and fixtures	20,787	-	20,787	(3,338)	17,449
Leasehold improvements	220,474	-	220,474	-	220,474
Right of use lease asset	274,710	-	274,710	-	274,710
	\$ 689,565	\$	\$ 691,919	\$	\$ 642,799

PERK LABS INC.**Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited)
(Expressed in Canadian Dollars)**

For the Three and Nine Months Ended August 31, 2022 and 2021

	November 30 2020	Depreciation	November 30 2021	Depreciation	August 31 2022
Accumulated depreciation					
Computer equipment	\$ 172,256	\$ 1,901	\$ 174,157	\$ (45,022)	\$ 129,135
Furniture and fixtures	19,823	964	20,787	(3,338)	17,449
Leasehold improvements	220,474	-	220,474	-	220,474
Right of use lease asset	47,093	94,187	141,280	70,639	211,919
	\$ 459,646	\$ 97,052	\$ 556,698	\$ 22,279	\$ 578,977
Carrying Amounts	\$ 229,919		\$ 135,221		\$ 63,822

8. SHARE CAPITAL**a) Common shares****Authorized:**

Unlimited number of common shares without par value.

Issued:

On July 17, 2020, the Company filed a Short Form Base Shelf Prospectus with the British Columbia Securities Commission and using Multilateral Instrument 11-102 Passport System, filed the prospectus in all the provinces and territories of Canada. On July 29, 2020, the Company announced that it established an at-the-marketing equity program that allows the Company to issue and sell up to \$2,000,000 of common shares in the capital of the Company from treasury to the public, from time to time, at the Company's discretion. On February 17, 2021, the Company announced the renewal of its at-the-marketing equity program that allows the Company to issue and sell up to \$4,000,000 of common shares in the capital of the Company from treasury to the public, from time to time, at the Company's discretion.

(i) Shares issued for services

During the nine months ended August 31, 2022, the Company issued an aggregate of 3,321,302 (August 31, 2021 – 1,140,229) common shares with a fair value of \$109,433 (August 31, 2021 - \$137,610) for services. The fair value of common shares issued was based on the end of day trading price of the Company's common shares on the date prior to issuance.

(ii) Shares issued for equity financing

During the quarter ended August 31, 2022, the Company closed a private placement for 7,672,138 units at a price of \$0.042 per unit for proceeds of \$322,230. Each unit consisted of one common share and one common share purchase warrant, with each warrant having an exercise price of \$0.05 per share for a period of 24 months from the date of issue. Directors and officers of the Company subscribed for 476,190 of the units for proceeds of \$20,000 (August 31, 2021 - \$Nil).

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8. SHARE CAPITAL (continued)**a) Common shares** (continued)**(ii) Shares issued for equity financing** (continued)

During the nine months ended August 31, 2022 the Company issued 6,998,000 common shares through its at-the-market offering announced February 17, 2021, at an average price of \$0.029 for gross proceeds of \$199,787 less commissions of \$5,994 for net proceeds of \$193,793.

For the nine months ended August 31, 2021, the Company issued 15,641,000 common shares through its at-the-market program announced July 29, 2020, at an average price of \$0.10 per share for gross proceeds of \$1,570,780 less commissions of \$47,123 for net proceeds of \$1,523,657.

For the nine months ended August 31, 2021, the Company issued 8,753,000 common shares through its at-the-market offering announced February 17, 2021, at an average price of \$0.10 for gross proceeds of \$912,325 less commissions of \$27,370 for net proceeds of \$884,955.

b) Warrants

	Number of warrants	Weighted Average Exercise Price
Balance, November 30, 2021	3,149,672	\$ 0.08
Expired	(3,149,672)	\$ 0.08
Issued	7,672,138	\$ 0.05
Balance, August 31, 2022	7,672,138	\$ 0.05

c) Restricted share units

The Company has established a long-term Restricted Share Unit ("RSU") incentive plan for executives and certain employees. This plan was finalized and approved at the Company's Annual General Meetings held on June 10, 2020 and June 9, 2021. Awards generally vest over a three-year period (100% cliff vesting on the third anniversary date). The Board or Compensation Committee may, in its sole discretion, determine vesting conditions for RSUs and the method of vesting. The Company's policy is to issue common shares for RSUs in the same month in which they vest.

The fair value of the RSUs granted was estimated on grant date using the fair value of the Company's common shares on the date of grant. For RSUs issued prior to June 10, 2020, the closing share price of the Company's common shares on the day that the RSU plan was finalized and approved was used to determine the fair value of the RSUs.

	Number of RSUs	Weighted Average Issue Price
Balance, November 30, 2021	8,755,068	\$ 0.09
Granted	8,186,238	\$ 0.03
Vested, issued and released	(352,167)	\$ 0.11
Forfeited	(1,919,005)	\$ 0.08
Balance, August 31, 2022	14,670,134	\$ 0.05

PERK LABS INC.**Notes to the Condensed Consolidated Interim Financial Statements
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For the Three and Nine Months Ended August 31, 2022 and 2021

c) Restricted share units (continued)

Expiration Dates	Outstanding RSUs	Weighted Average Issue Price
June 1, 2022 – September 1, 2024	5,300,388	\$ 0.09
October 1, 2022 – April 5, 2025	4,425,415	\$ 0.05
March 1, 2024 – May 1, 2025	4,944,331	\$ 0.02
	14,670,134	\$ 0.05

For the nine months ended August 31, 2022, the Company recognized share-based compensation expenses of \$140,511 (August 31, 2021 – \$308,045) related to RSUs granted and vested of which \$124,942 (August 31, 2021 - \$304,734) were granted to officers and directors of the Company.

9. STOCK OPTIONS

The Company is authorized to grant options to directors, officers, employees, and consultants to acquire common shares under the 2016 Incentive Stock Option Plan (the “Plan”). The essential elements of the Plan provide that the aggregate number of shares of the Company’s common shares issuable pursuant to options granted under the Plan, combined with all of the Company’s other security-based compensation arrangements, may not exceed 15% of the issued common shares of the Company from time to time. Options granted under the Plan may have a maximum term of five (5) years. The exercise price of options granted under the Plan will not be less \$0.05. Stock options granted under the Plan vest subject to vesting terms which may be imposed at the discretion of the Directors. Stock options granted under the Plan are to be settled with the issuance of equity instruments.

For the quarter ended August 31, 2022, the Company recognized share-based compensation expenses of \$1,620 (August 31, 2021 – expenses of \$44,561) related to stock options granted of which a recovery of \$433 (August 31, 2021 – expenses of \$13,536) was related to options granted to officers and directors of the Company.

The following summarizes the stock options outstanding.

	Number of Options	Weighted Average Exercise Price
Balance, November 30, 2021	7,902,500	\$ 0.19
Granted	1,400,000	\$ 0.05
Forfeited	(72,500)	\$ 0.10
Expired	(547,500)	\$ 0.07
Outstanding, August 31, 2022	8,682,500	\$ 0.18
Exercisable, August 31, 2022	6,324,166	\$ 0.21

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For the Three and Nine Months Ended August 31, 2022 and 2021

9. STOCK OPTIONS (continued)

	Exercise Price	Weighted Average Remaining Life	Options Outstanding (#)	Options Exercisable (#)
\$	0.05	3.23	1,750,000	416,666
\$	0.10	1.58	920,000	820,000
\$	0.11	1.82	400,000	400,000
\$	0.14	1.69	200,000	25,000
\$	0.15	1.68	1,245,000	495,000
\$	0.16	1.65	3,767,500	3,767,500
\$	0.18	2.51	50,000	50,000
\$	1.46	0.39	350,000	350,000
\$	0.18	1.93	8,682,500	6,324,166

The fair value of options granted was estimated on the date of grant using the Black-Scholes option pricing model assuming no expected dividends, and the following weighted-average assumptions:

	August 31 2022	August 31 2021
Risk-free interest rate	1.45%	0.38%
Expected volatility	155.3%	167.7%
Expected option life (in years)	5.0	3.49
Expected forfeiture rate	5%	5%

The weighted average fair value of stock options granted during the year ended August 31, 2022 was \$0.05 (August 31, 2021 - \$0.15).

10. GENERAL AND ADMINISTRATION EXPENSES

	Three Months Ended		Nine Months Ended	
	August 31 2022	August 31 2021	August 31 2022	August 31 2021
Bank charges and interest	\$ 30,189	\$ 2,212	\$ 64,429	\$ 6,045
Consulting fees	250	—	1,675	—
Directors' fees (note 17)	10,000	35,000	38,333	105,000
Insurance	2,891	3,578	9,578	10,148
Investor relations	88,737	13,671	178,631	49,938
Legal, accounting and auditing	21,734	71,194	83,525	127,527
Office	13,733	8,582	35,524	35,637
Rent	18,564	17,836	56,401	50,990
Transfer agent and filing fees	14,301	25,695	83,024	89,848
Travel	1,062	—	2,214	106
Wages and benefits (note 17)	93,830	132,064	387,271	402,275
	\$ 295,291	\$ 309,832	\$ 940,605	\$ 877,514

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11. RESEARCH AND DEVELOPMENT EXPENSES

	Three Months Ended		Nine Months Ended	
	August 31	August 31	August 31	August 31
	2022	2021	2022	2021
Consulting	\$ 26,945	\$ 61,725	\$ 170,797	\$ 181,301
Information technology	21,697	21,685	63,197	58,712
Wages and benefits (note 18)	83,657	121,332	304,020	337,131
	\$ 132,299	\$ 204,742	\$ 538,014	\$ 577,144

12. SALES AND MARKETING EXPENSES

	Three Months Ended		Nine Months Ended	
	August 31	August 31	August 31	August 31
	2022	2021	2022	2021
Consulting fees	\$ 40,820	\$ 12,250	\$ 111,786	\$ 144,776
Promotions and events	1,478	4,924	7,568	11,996
Sales and marketing	5,476	58,200	78,913	147,909
Travel	63	–	5,006	78
Wages and benefits (note 18)	36,493	39,753	105,780	156,925
	\$ 84,330	\$ 115,127	\$ 309,053	\$ 461,684

13. SEGMENTED INFORMATION

The Company has one operating segment with assets located in Canada and the USA. The USA operating segment does not exceed 10% of reported revenue or 10% of the combined assets of the Company. The geographic segments have been aggregated into a single operating segment based on similar economic characteristics.

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine Months Ended	
	August 31	August 31
	2022	2021
Non-cash investing and financing activities		
Transfer of reserves upon vesting of RSUs	\$ 36,900	\$ 55,206
Transfer of reserves upon exercise of stock options	–	5,766
Supplementary disclosures		
Income taxes paid	\$ –	\$ –
Interest paid on lease liabilities	\$ (15,245)	\$ –
Interest received	\$ 2,145	\$ 5,737

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15. REVENUE

The breakdown of revenue for the three and nine months ended August 31, 2022 and 2021 is as follows:

	Three Months Ended		Nine Months Ended	
	August 31	August 31	August 31	August 31
	2022	2021	2022	2021
Licensing revenue	\$ 1,750	3,000	\$ 13,500	\$ 3,000
Transaction revenue	3,629	2,720	6,782	4,534
Product revenue	25	727	124	15,371
	\$ 5,403	\$ 6,447	\$ 20,406	\$ 22,905

The former Interim VP of Sales is the President of a reseller partner of the Company. For the quarter ended August 31, 2022, the Company recognized \$10,500 in licensing revenue from this reseller partner.

16. GOVERNMENT GRANTS

For the quarter ended August 31, 2022, the Company received \$20,000 from the Innovate BC Innovator Skills Initiative (ISI) grant. This program provides companies with up to \$10,000 towards an eligible student's payroll for a maximum of two students per intake year (May – April).

For the quarter ended August 31, 2022, the Company received \$5,725 from the Digital Skills for Youth (DS4Y) funded by the Government of Canada which provides up to \$25,500 per employee so youth (aged 15-30) can successfully transition to the workforce.

In April 2020, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") in order to help employers keep and/or return employees to work in response to challenges posed by the COVID-19 pandemic. In the second quarter of 2020, the Company determined that it met the employer eligibility criteria and applied for the CEWS in order to retain employees on payroll. For the quarter ended August 31, 2021, the Company received \$114,313 under this program which is reflected in government subsidies and grants in other income. There are no unfulfilled conditions or other contingencies attached to the current CEWS.

On October 9, 2020, the Government of Canada announced the creation of the new Canada Emergency Rent Subsidy ("CERS") program to replace the Canada Emergency Commercial Rent Assistance ("CECRA") for small businesses program, which ended on September 30, 2020. In contrast to the CECRA, which required commercial property owners to apply instead of their small business tenants, the CERS provides support directly to qualifying tenants and property owners. For the quarter ended August 31, 2021, the Company received \$34,901 under this program which is reflected in government subsidies and grants in other income. There are no unfulfilled conditions or other contingencies attached to the current CERS.

For the quarter ended August 31, 2021, the Company received \$7,500 from the Information and Communications Technology Council (ICTC) Work-Integrated Learning Digital program that provides a subsidy of up to \$7,500 per student to eligible Canadian companies in emerging ICT sectors to hire students.

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17. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having the authority and responsibility for planning, directing, and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. Compensation provided to key management personnel is as follows:

	August 31 2022	August 31 2021
Directors' fees	\$ 38,333	\$ 105,000
Remuneration and fees	347,752	519,239
Share based compensation	124,509	318,270
	\$ 510,594	\$ 942,510

At August 31, 2022, the Company owed \$6,667 (November 30, 2021- \$6,667) to a director of the Company which is included in accounts payable and accrued liabilities.

At August 31, 2022, the Company owed \$9,387 (November 30, 2021 - \$8,000) to the Company's Chief Technology Officer which is included in accounts payable and accrued liabilities.

Amounts due to or from related parties are unsecured, do not bear interest, and are classified as a current asset or liability due to their nature and expected time of repayment.

18. COMMITMENTS AND LEASE LIABILITIES

On June 1, 2020, the Company commenced a three-year lease for its office premises. It is a triple net lease with a base rent of \$9,485 per month in Year 1; \$9,716 per month in Year 2; and \$9,947 per month in Year 3. Upon commencement of the lease, the Company recognized a right-of-use asset and a lease liability. The incremental borrowing rate used to determine the lease liability was 17.5%, which is the Company's estimated cost of external financing.

The following is a continuity schedule of lease liabilities for the nine months ended August 31, 2022.

	\$
Balance, November 30, 2021	156,666
Lease payments	(88,138)
Interest expenses on lease liabilities	15,245
Balance at August 31, 2022	83,773
Current portion	83,773
Non-current portion	-

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19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**a) Fair value of financial assets and liabilities that are measured at fair value on a recurring basis**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Under IFRS 13, Fair Value Measurement establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- 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).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist.

a) Fair value of financial assets and liabilities that are measured at fair value on a recurring basis (continued)

	Fair value measurements using			Balance, August 31, 2022 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Marketable securities	11,038	1,446	-	12,484

The fair values of other financial instruments, including cash and cash equivalents, notes receivable, accounts payable and accrued liabilities, and lease liabilities approximate their fair values due to the short-term nature of the financial instrument.

b) Market risk

Market risk is the risk of loss that the fair value of future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. The Company faces market risk from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

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19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**b) Market risk (continued)****(i) Interest rate risk**

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to fair value interest rate risk.

Current financial assets and financial liabilities are generally not exposed to significant cash flow interest rate risk because of their short-term nature, fixed interest rates, and maturity.

The Company may be exposed to fair value interest rate risk if the prevailing market rates increase or decrease compared to the interest rates associated with its financial assets. Management does not believe this risk is significant

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in a foreign currency.

The Company is exposed to foreign currency risk with respect to its US denominated bank account. At August 31, 2022, financial instruments were converted at a rate of \$1 US dollar to \$1.311 (November 30, 2021 – \$1.279) Canadian. A 10% change in foreign exchange rates is not expected to have a material impact on the condensed consolidated interim financial statements.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk.

(iii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash and cash equivalents. The Company limits its exposure to credit risk by placing its cash and cash equivalents with a high credit quality financial institution in Canada. For amounts receivable, the Company limits its exposure to credit risk by dealing with what management believes to be financially sound counterparties.

The Company's financial assets are not subject to material credit risk as it does not anticipate significant loss for non-performance.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments, or the proposed transaction. The Company manages liquidity risk by maintaining adequate cash balances when possible.

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19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**b) Market risk (continued)****(iv) Liquidity risk (continued)**

The Company's expected source of cash flow in the upcoming year will be through sales and debt or equity financing. Cash and cash equivalents at August 31, 2022 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational and expansion needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof. On July 29, 2020, the Company announced an at-the-market equity program that allows the Company to issue and sell up to \$2,000,000 of common shares in the capital of the Company from treasury to the public, from time to time, at the Company's discretion.

On February 17, 2021, the Company announced the renewal of its at-the-marketing equity program that allows the Company to issue and sell up to \$4,000,000 of common shares in the capital of the Company from treasury to the public, from time to time, at the Company's discretion.

(v) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, reserves, and deficit. The availability of new capital will depend on many factors including positive stock market conditions, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital and there was no material change from the prior year.

(vi) Price risk

Price risk is the risk that the fair value of investments will decline below the cost of the underlying investments. The Company's marketable securities are exposed to price risk.

20. SUBSEQUENT EVENTS

- a) Subsequent to August 31, 2022, the Company granted 924,870 RSUs to directors and officers with vesting date Sept 1, 2025, including 461,537 to the Chief Executive Officer and 463,333 to the Chief Technology Officer. The RSUs vest in three years.