



BEACN

**BEACN WIZARDRY AND MAGIC INC.
(Formerly “Germinate Capital Ltd.”)**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

For the nine months ended September 30, 2022 and 2021

BEACN WIZARDRY AND MAGIC INC.

Contents

	Page
Notice of No Auditor Review of Interim Financial Statements	3
Condensed Consolidated Interim Statements of Financial Position	4
Condensed Consolidated Interim Statements of (Income) Loss and Comprehensive Income (Loss)	5
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity	6
Condensed Consolidated Interim Statements of Cash Flows	7
Notes to the Condensed Consolidated Interim Financial Statements	8 - 16

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

BEACN WIZARDRY AND MAGIC INC.*(Formerly Germinate Capital Ltd.)***CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited: Presented in Canadian Dollars)

	Note	September 30, 2022	December 31, 2021
Assets			
Current			
Cash and cash equivalents		\$ 728,455	\$ 2,039,515
Receivables		151,443	41,668
SR&ED tax credit receivable	14	3,496	-
Inventory		2,022,846	537,026
Prepaid and deposits	5	530,606	423,704
		3,436,846	3,041,913
Non-current			
Right-of-use asset	13	67,526	-
Property and equipment, net	6	282,609	321,948
		350,135	321,948
		\$ 3,786,981	\$ 3,363,861
Liabilities			
Current			
Current portion of lease liability	13	\$ 21,639	\$ -
Accounts payable and accrued liabilities		212,027	269,567
Due to related parties	11	79,265	39,638
		312,931	309,205
Non-current			
Lease liability	13	46,692	-
Convertible loan	7	237,033	219,394
Promissory note	8	275,000	275,000
		558,725	494,394
Shareholders' equity			
Share capital	9	5,744,667	5,744,667
Reserves	9	423,454	308,547
Deficit		(3,252,796)	(3,492,952)
		2,915,325	2,560,262
		\$ 3,786,981	\$ 3,363,861

These condensed consolidated interim financial statements are approved by the Board on November 29, 2022

Approved by the Board of Directors:

"Sarah Weber"

Sarah Weber

"Scott Christopher"

Scott Christopher

See the notes to the condensed consolidated interim financial statements

BEACN WIZARDRY AND MAGIC INC.*(Formerly Germinate Capital Ltd.)***CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND
COMPREHENSIVE INCOME (LOSS)**

(Unaudited: Presented in Canadian Dollars)

	Note	Three months ended		Nine months ended	
		September 30		September 30	
		2022	2021	2022	2021
Sales		\$ 727,088	\$ -	\$ 3,534,994	\$ -
Cost of sales		411,874	-	2,036,313	-
Gross profit		315,214	-	1,498,681	-
Expenses					
Advertising		65,470	(28,571)	134,424	20,844
Amortization	6	28,524	5,120	83,652	15,376
Consulting and marketing fees		39,782	68,083	111,049	146,970
Charitable donation		-	-	5,000	-
Depreciation of right-of-use asset	13	6,331	-	8,441	-
Office, rent and miscellaneous		11,235	20,789	95,497	55,748
Professional fees	11	20,921	31,736	86,628	50,431
Prototype costs		10,458	-	12,645	12,333
Salaries and benefits	11	252,845	168,234	744,092	576,427
Supplies and other		15,595	2,738	34,532	10,536
Share-based payments	9(c)	7,182	-	114,907	-
Transfer agent, filing fees and shareholder communications		4,093	-	21,160	-
Travel and related costs		2,671	1,864	11,129	2,115
Operating income (loss)		(149,893)	(269,993)	35,525	(890,780)
Other items					
Finance costs	13	(1,395)	-	(1,886)	-
SR&ED, net of professional fees	14	-	-	272,275	243,021
Foreign exchange gain (loss)		(6,475)	(3,290)	1,841	(4,311)
Interest and accretion expense		(44,321)	(2,750)	(67,599)	(8,250)
		(52,191)	(6,040)	204,631	230,460
Net income (loss) and comprehensive income (loss) for the period		(202,084)	(276,033)	240,156	(660,320)
Basic and diluted earning (loss) per share		\$ (0.00)	\$ (0.01)	\$ 0.01	\$ (0.02)
Weighted average number of common shares outstanding		42,784,336	27,811,247	42,784,336	29,273,729

See the notes to the condensed consolidated interim financial statements

BEACN WIZARDRY AND MAGIC INC.*(Formerly Germinate Capital Ltd.)***CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Presented in Canadian Dollars)

	Note	Share Capital		Reserve				Deficit	Total Shareholders' Equity
		Number of shares	Amount	Share-based payments	Warrants	Finders' Warrants	Conversion rights		
Balance, December 31, 2020 (audited)		21,751,000	\$ 937,510	\$ -	\$ -	\$ -	\$ -	\$ (779,196)	\$ 158,314
Shares issued on private placement	9(b)	10,400,003	1,810,000	-	-	-	-	-	1,810,000
Loss for the period		-	-	-	-	-	-	(660,320)	(660,320)
Balance, September 30, 2021 (unaudited)		32,151,003	2,747,510	-	-	-	-	(1,439,516)	1,307,994
Shares issued on private placement	9(b),10	5,000,000	1,437,700	-	62,300	-	-	-	1,500,000
Shares issued pursuant to QT	10	4,800,000	1,440,000	-	-	-	-	-	1,440,000
Share issuance costs	9(b)	-	(120,160)	-	-	2,014	-	-	(118,146)
Convertible loan - Conversion rights	7	-	-	-	-	-	36,040	-	36,040
Conversion of convertible loan	7,9(b)	833,333	239,617	-	10,383	-	-	-	250,000
Share-based payments	9(c)	-	-	197,810	-	-	-	-	197,810
Loss for the period		-	-	-	-	-	-	(2,053,436)	(2,053,436)
Balance, December 31, 2021 (audited)		42,784,336	5,744,667	197,810	72,683	2,014	36,040	(3,492,952)	2,560,262
Share-based payments	9(c)	-	-	114,907	-	-	-	-	114,907
Net income for the period		-	-	-	-	-	-	240,156	240,156
Balance, September 30, 2022 (unaudited)		42,784,336	\$ 5,744,667	\$ 312,717	\$ 72,683	\$ 2,014	\$ 36,040	\$ (3,252,796)	\$ 2,915,325

See the notes to the condensed consolidated interim financial statements

BEACN WIZARDRY AND MAGIC INC.*(Formerly Germinate Capital Ltd.)***CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

(Unaudited: Presented in Canadian Dollars)

	Note	Nine months ended September 30	
		2022	2021
Cash provided by (used in):			
Operating activities			
Net income (loss) for the period		\$ 240,156	\$ (660,320)
Items not affecting cash:			
Depreciation of right-of-use asset	13	8,441	-
Finance cost	13	1,886	-
Share-based payments		114,907	-
Amortization	6	83,652	15,376
Interest and accretion expense	7,8	67,599	-
Changes in non-cash working capital items:			
Receivables		(109,775)	(33,911)
SR&ED tax credit receivable	14	(3,496)	-
Prepaid expense		(106,902)	(2,224)
Inventory		(1,485,820)	(1,016,994)
Accounts payable and accrued liabilities		(107,501)	311,644
Due to related parties		39,628	-
Net cash used in operating activities		(1,257,226)	(1,386,429)
Investing activities			
Property and equipment		(44,313)	(216,125)
Net cash used in investing activities		(44,313)	(216,125)
Financing activities			
Payment of lease liability	13	(9,521)	-
Proceeds from issuance of common shares	9(b)	-	1,810,000
Convertible loan	7	-	500,000
Net cash (used in) provided by financing activities		(9,521)	2,310,000
Change in cash and cash equivalents		(1,311,060)	707,446
Cash and cash equivalents, beginning of the period		2,039,515	335,780
Cash and cash equivalents, end of the period		\$ 728,455	\$ 1,043,226

See the notes to the condensed consolidated interim financial statements

BEACN WIZARDRY AND MAGIC INC.

(Formerly Germinate Capital Ltd.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Unaudited: Presented in Canadian Dollars)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Beacn Wizardry and Magic Inc. (formerly Germinate Capital Ltd.) (“Beacn” or the “Company”) was incorporated and domiciled in Canada under the Business Corporations Act (British Columbia) as a “Capital Pool Company” as defined in the TSX Venture Exchange’s (the “Exchange”) Listing Policy 2.4.

On October 29, 2021, the Company completed the share exchange transaction with Beacon Hill Innovations Ltd. (“Beacon”) (Note 11) which constituted the Company’s Qualifying Transaction (“QT”). Beacon was incorporated under the Business Corporations Act (British Columbia) in February 2020 and its principal business focus is be a supplier of tech peripherals for Gamers, YouTubers, Podcasters and anyone creating content on the internet. Upon completion of the QT, the Company began trading under its new name on the Exchange with the symbol “BECN” on November 2, 2021.

For accounting purposes, it has been determined that Beacn was the accounting acquiree and Beacon was the accounting acquirer since the shareholders of the former Beacon now control Beacn, based on the guidance of IFRS 10, “Consolidated Financial Statements”, and IFRS 3, “Business Combinations” and IFRS 2, “Share-based Payment”, to identify the accounting acquirer (Note 11). These audited consolidated financial statements are prepared as a continuation of the financial statements of Beacon, reflecting the equity instruments of Beacn. As a result, comparative information included herein is solely those of Beacon. For simplicity, transactions undertaken by Beacon are referred to as being undertaken by Beacn in the recent audited consolidated financial statements and these unaudited condensed consolidated interim financial statements.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern basis, which implies the Company will continue to realize it assets and discharge it liabilities in the normal course of business. The Company earned a net income of \$240,156 for the nine months ended September 30, 2022. To September 30, 2022, even though the Company has earned revenue from operations, the continuation of the Company as a going concern is dependent upon the ability of the Company to attain sufficient profitable operations and/or obtain necessary equity or other financing to continue operations.

There are material uncertainties that may cast significant doubt about the appropriateness of the going concern assumption. The current market conditions and volatility increase the uncertainly of the Company’s ability to continue as a going concern given the need to continue research and development, purchase inventory, establish profitable sales and raise additional funds. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds. The outcome of these matters cannot be predicted at the present time. 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

The Company’s business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia’s military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

BEACN WIZARDRY AND MAGIC INC.

(Formerly Germinate Capital Ltd.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Unaudited: Presented in Canadian Dollars)

2. BASIS OF PREPARATION - STATEMENT OF COMPLIANCE

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments that have been 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.

The preparation of these condensed consolidated interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the IASB on a basis consistent with those followed in the Company's most recent annual financial statements for the year ended December 31, 2021.

These unaudited condensed consolidated interim financial statements do not include all note disclosures required by IFRS for annual financial statements, and therefore should be read in conjunction with the annual financial statements for the year ended December 31, 2021. In the opinion of management, all adjustments considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the nine month period ended September 30, 2022 are not necessarily indicative of the results that may be expected for the current fiscal year ending December 31, 2022.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair values of the Company's cash and accounts payable and accrued liabilities, due to related parties, convertible loan, and promissory note approximate their carrying values.

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk and liquidity risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank account. The Company's bank account is held with a major bank in Canada; accordingly, the Company believes it is not exposed to significant credit risk.

b) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to significant interest rate risk.

BEACN WIZARDRY AND MAGIC INC.*(Formerly Germinate Capital Ltd.)***NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Unaudited: Presented in Canadian Dollars)

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, (cont'd)

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations. As at September 30, 2022, the Company had a cash balance of \$728,455 to settle current liabilities of \$312,931.

5. PREPAID EXPENSES

	September 30, 2022	December 31, 2021
Office and lease deposit	\$ 5,343	\$ 6,150
Insurance	18,054	5,625
Inventory deposit on purchase order	365,784	411,929
Promotional	109,170	-
Shipping prepayment	23,927	-
Other	8,328	-
	\$ 530,606	\$ 423,704

6. PROPERTY AND EQUIPMENT**PP&E**

	Computer equipment and software	Moulds for Products	Furniture and Fixtures	Leasehold Improvements	Total
Opening balance, December 31, 2020	\$ 23,026	\$ 73,588	\$ -	\$ -	\$ 96,614
Additions	79,883	190,701	-	-	270,584
Amortization	(33,986)	(11,263)	-	-	(45,249)
Closing balance, December 31, 2021	68,923	253,026	-	-	321,949
Additions	25,181	2,291	7,494	9,345	44,312
Amortization	(40,180)	(40,665)	(1,249)	(1,558)	(83,652)
Balance, September 30, 2022	\$ 53,924	\$ 214,652	\$ 6,245	\$ 7,788	\$ 282,609

7. CONVERTIBLE LOAN

On September 14, 2021, the Company entered into a \$500,000 convertible loan agreement ("Loan") with two parties ("Lenders"). The Loan is convertible, at the option of the Lenders, into the units of the Company. Each unit is convertible into one common share of the Company and one-half of one share purchase warrant ("Warrant") of the Company at a rate of \$0.30 per unit. Each Warrant is exercisable into a common share of the Company at \$0.60 for a period of 2 years. The Loan, if not converted, has a maturity date of April 29, 2023, is subject to an interest rate of 5% per annum, and a one-time setup fee of \$1,250. Upon completion of the QT, on October 29, 2021, \$250,000 of the convertible loan was converted into common shares (Note 10(b) and 11). The equity portion of the remaining convertible loan (\$36,040) was allocated to conversion rights as a residual based on the estimated present value of the loan (\$213,960). During the nine months ended September 30, 2022, \$17,639 in accretion expense was recorded.

8. PROMISSORY NOTE

During the year ended December 31, 2020, the Company entered into a promissory note (the "Note") with a shareholder of the Company with a maturity date of December 31, 2024. The Note was without interest until December 31, 2020, and thereafter incurs interest at a rate of 4% per annum, and payable quarterly. The Company can repay all or part of the Note at any time without penalty. During the nine months ended September 30, 2022, the Company incurred \$8,250 (2021 - \$8,250) in interest expense.

BEACN WIZARDRY AND MAGIC INC.

(Formerly Germinate Capital Ltd.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Unaudited: Presented in Canadian Dollars)

9. SHARE CAPITAL

(a) Authorized:

At September 30, 2022, the authorized share capital was comprised of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) Share issuances:

Fiscal 2021

On February 8, 2021, the Company closed a first tranche non-brokered private placement of 5,333,336 common shares at a price of \$0.15 per share for gross proceeds of \$800,000, and on April 19, 2021, closed the second tranche of 66,667 common shares at a price of \$0.15 per share for gross proceeds of \$10,000.

On June 25, 2021, the Company closed a non-brokered private placement of 5,000,000 common shares at a price of \$0.20 per share for gross proceeds of \$1,000,000.

On September 23, 2021, the Company completed its non-brokered private placement of 5,000,000 subscription receipts of the Company (the "Subscription Receipts") at a price of \$0.30 per Subscription Receipt for gross proceeds of \$1,500,000 (the "Private Placement"). Each Subscription Receipt issued pursuant to the Private Placement was automatically convertible for no additional consideration into one unit of the Company (a "Unit") upon satisfaction of the Escrow Release Conditions (Note 10). Each Unit is comprised of one common share in the capital of the Company (a "Share") and one-half of one Share purchase warrant (each full warrant, a "Warrant"). Each Warrant is exercisable to acquire one Share at a price of \$0.60 for a period of two years from the date of issuance. The warrants were ascribed a value of \$62,300 under the Black-Scholes valuation model with the residual being allocated to share capital. The Company paid to certain arm's length finders an aggregate cash finder's fee in connection with the Private Placement of \$23,243 and 77,475 non-transferrable warrants ("Finder Warrants") at the time of closing of the Transaction. Each Finder Warrant will entitle the holder to acquire one Share at a price of \$0.30 for a period of two years from closing of the Transaction.

On October 29, 2021, upon completion of the QT, 4,800,000 common shares at a price of \$0.30 per share were issued (Note 10).

On October 29, 2021, upon completion of the QT, \$250,000 worth of convertible loan was converted into 833,333 common shares and 416,666 warrants (Note 7). Each warrant is exercisable to acquire one share at a price of \$0.60 for a period of two years from the date of issuance. The warrants were ascribed a value of \$10,383 under the Black-Scholes valuation model with the residual being allocated to share capital.

Fiscal 2020

On May 27, 2020, the Company closed a non-brokered private placement of 13,751,000 common shares at a price of \$0.01 per share for gross proceeds of \$137,510.

On August 12, 2020, the Company closed a non-brokered private placement of 8,000,000 common shares at a price of \$0.10 per share for gross proceeds of \$800,000.

(c) Stock options:

The Company has established a stock option plan for its directors, officers, and technical consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company.

The continuity of options is as follows:

BEACN WIZARDRY AND MAGIC INC.*(Formerly Germinate Capital Ltd.)***NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Unaudited: Presented in Canadian Dollars)

9. SHARE CAPITAL, (cont'd)

Expiry date	Exercise price	December 31, 2021	Issued	Exercised	Expired	September 30, 2022				
October 29, 2022	\$ 0.10	112,500	-	-	-	112,500				
October 29, 2026	\$ 0.30	3,150,000	-	-	(50,000)	3,100,000				
January 22, 2027	\$ 0.32	-	50,000	-	-	50,000				
May 2, 2027	\$ 0.32	-	100,000	-	-	100,000				
May 17, 2027	\$ 0.35	-	450,000	-	-	450,000				
September 27, 2027	\$ 0.265	-	50,000	-	-	50,000				
April 20, 2031	\$ 0.10	337,500	-	-	-	337,500				
Outstanding		3,600,000	650,000	-	(50,000)	4,200,000				
Weighted average exercise price	\$	0.27	\$	0.34	\$	-	\$	0.30	\$	0.28

^(a) 112,500 stock options were subsequently exercised

At September 30, 2022, the weighted average remaining life of the outstanding and exercisable options is 4.45 years (December 31, 2021 – 5.16 years).

The fair value of options granted and expensed during the nine months ended September 30, 2022 was \$114,907 (2021 - \$Nil).

The assumptions used in the Black Scholes Option Pricing Model to estimate the fair value of options were:

	2022	2021
Expected dividend yield	Nil	Nil
Expected stock price volatility	58.14% - 70.71%	21.93% - 45.11%
Risk-free interest rate	1.32% - 1.52%	1.30% - 1.74%
Forfeiture rate	Nil	Nil
Expected options life in years	5 years	5 - 10 years

(d) Warrants:

Expiry date	Exercise price	December 31, 2021	Issued	Exercised	Expired	September 30, 2022				
October 29, 2023	\$ 0.60	2,916,666	-	-	-	2,916,666				
October 29, 2023	\$ 0.30	77,475	-	-	-	77,475				
April 20, 2026	\$ 0.10	250,000	-	-	-	250,000				
Outstanding		3,244,141	-	-	-	3,244,141				
Weighted average exercise price	\$	0.55	\$	-	\$	-	\$	-	\$	0.55

At September 30, 2022, the weighted average remaining life of the outstanding warrants is 1.27 years (December 31, 2021 – 2.02 years).

BEACN WIZARDRY AND MAGIC INC.*(Formerly Germinate Capital Ltd.)***NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Unaudited: Presented in Canadian Dollars)

9. SHARE CAPITAL, (cont'd)

d) Warrants:

The assumptions used in the Black Scholes Option Pricing Model to estimate the fair value of warrants were:

	2022	2021
Expected dividend yield	Nil	Nil
Expected stock price volatility	Nil	31.01% - 71.13%
Risk-free interest rate	Nil	0.55% - 1.28%
Forfeiture rate	Nil	Nil
Expected life of warrants	Nil	2 - 5 years

10. QUALIFYING TRANSACTION

On October 29, 2021, the Company and Beacon completed their previously announced QT. The QT was completed by way of share exchange pursuant to which the Company acquired all of the issued and outstanding shares in the capital of Beacon in exchange for the issuance of 32,151,003 common shares in the capital of the Company to the former shareholders of Beacon. The Company also issued 3,150,000 stock options to directors, officers, employees and consultants of the Company, which can be exercised at a price of \$0.30 per share until October 29, 2026.

The Subscription Receipts (see Note 9) converted automatically for no additional consideration into Units upon the occurrence of the following events (collectively, the "Escrow Release Conditions"): (i) all conditions to the Exchange's conditional approval of the Transaction having been satisfied or waived; (ii) all conditions to the Exchange's conditional approval for the listing of the Shares to be issued pursuant to the Private Placement and the Shares underlying the Warrants having been satisfied or waived; and (iii) the closing of the transactions contemplated by the Share Exchange Agreement.

In connection with the QT, the Company completed a concurrent financing (Note 9) totaling \$1,500,000.

In accounting for the acquisition as a reverse takeover, no goodwill or intangible asset in respect to the stock exchange listing has been recorded. For accounting purposes, Beacon, the legal subsidiary, has been treated as the accounting acquirer, and the Company, the legal parent, has been treated as the accounting acquiree in these consolidated financial statements. Beacon's assets and liabilities are included in these consolidated financial statements at their carrying values, which were considered to represent their current fair values.

The QT did not constitute a business combination under IFRS 3. The QT is accounted for in these consolidated financial statements as a continuation of the financial statements of Beacon, subject to a deemed issuance of shares and re-capitalization of the resulting issuer's equity. The excess of the estimated fair value of Beacon's pre-transaction common shares over the current carrying value of its net identifiable assets was allocated to listing expense. The acquisition was measured based on the current fair value of Beacon's 4,800,000 common shares outstanding deemed reissued at \$0.30 per share, allocated to its net identifiable assets as follows:

Cash	\$ 191,796
Receivables	5,808
Total fair value of net assets acquired by Beacon	197,604
Listing expense	1,242,396
Fair value of Beacon's pre-transaction common shares	<u>\$ 1,440,000</u>

BEACN WIZARDRY AND MAGIC INC.*(Formerly Germinate Capital Ltd.)***NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Unaudited: Presented in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

For the nine months ended September 30, 2022:

	Salaries and benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Craig Fraser Chief Executive Officer, Former Director	\$ 84,665	\$Nil	\$Nil	\$Nil	\$Nil	\$ 84,665
Daniel Davies Chief Technology Officer, Director	\$ 84,665	\$Nil	\$Nil	\$Nil	\$Nil	\$ 84,665
Robert Doyle Chief Financial Officer	\$ 48,983	\$Nil	\$Nil	\$Nil	\$Nil	\$ 48,983
Kevin Alexander, Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 37,134	\$ 37,134
Scott Christopher, Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 37,134	\$ 37,134
Sarah Weber, Director	\$Nil	\$Nil	\$Nil	\$Nil	\$ 9,284	\$ 9,284

For the nine months ended September 30, 2021:

	Salaries and benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total
Craig Fraser Chief Executive Officer, Former Director	\$ 72,942	\$Nil	\$Nil	\$Nil	\$Nil	\$ 72,942
Daniel Davies Chief Technology Officer, Director	\$ 72,942	\$Nil	\$Nil	\$Nil	\$Nil	\$ 72,942

Amounts due to:	Service	Nine months ended September 30, 2022	Nine months ended September 30, 2021	Balance due	
				As at September 30, 2022	As at December 31, 2021
Craig Fraser, officer	Salaries and benefits	\$ 84,665	\$ 72,942	\$ -	\$ -
Daniel Davies, officer and director	Salaries and benefits	84,665	72,942	-	-
Mark Brown, director	Expense reimbursement	-	-	-	1,838
Pacific Opportunity Capital Ltd., a company, Robert Doyle, CFO is a shareholder of	Accounting and management services	48,983	-	81,347	37,800
TOTAL:		\$ 218,313	\$ 145,884	\$ 81,347	\$ 39,638

BEACN WIZARDRY AND MAGIC INC.*(Formerly Germinate Capital Ltd.)***NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Unaudited: Presented in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS, (cont'd)

Amounts owing to/from related parties are non-interest bearing, unsecured, and have no fixed terms of repayment. The changes during the period were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

Upon completion of the QT, on October 29, 2021, Pacific Opportunity Capital converted its \$250,000 convertible loan into common shares (Note 7 and 9(b)).

12. CAPITAL MANAGEMENT

The Company's capital consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

13. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company leases an office under non-cancellable operating lease with a term to May 31, 2025. Upon transition to IFRS 16, the Company recognized \$75,967 of right-of-use assets and \$75,967 of lease liabilities.

The lease liability was discounted using an incremental borrowing rate as at June 1, 2022 of 8% per annum.

Lease liability - June 1, 2022	\$ 75,967
Less: lease payments	(9,522)
Interest expense	1,887
	<u>68,331</u>
Less: current portion of lease liability - September 30, 2022	(21,639)
Long-term portion of lease liability - September 30, 2022	<u>\$ 46,692</u>

The right-of-use assets and lease liabilities in relation to the lease are as follows:

Date	Lease liability				Right-of-use asset		
	Beginning balance	Lease payment	Interest expense	Ending balance	Beginning balance	Depreciation charge	Ending balance
June 30, 2022	\$ 75,967	\$ (2,381)	\$ 491	\$ 74,077	\$ 75,967	\$ 2,110	\$ 73,857
September 30, 2022	74,077	(7,142)	\$ 1,396	68,331	73,857	6,331	67,526
December 31, 2022	68,331	(7,142)	\$ 1,280	62,470	67,526	6,331	61,196
March 31, 2023	62,470	(7,142)	\$ 1,162	56,490	61,196	6,331	54,865
June 30, 2023	56,490	(7,142)	1,042	50,391	54,865	6,331	48,534
September 30, 2023	50,391	(7,142)	919	44,168	48,534	6,331	42,204
December 31, 2023	44,168	(7,142)	794	37,820	42,204	6,331	35,873
March 31, 2024	37,820	(7,142)	666	31,344	35,873	6,331	29,543
June 30, 2024	31,344	(7,142)	535	24,738	29,543	6,331	23,212
September 30, 2024	24,738	(7,142)	402	17,999	23,212	6,331	16,882
December 31, 2024	17,999	(7,142)	267	11,125	16,882	6,331	10,551
March 31, 2025	11,125	(7,142)	128	4,111	10,551	6,331	4,220
June 30, 2025	4,111	(4,119)	7.29	0.00	4,220	4,220	0.00

BEACN WIZARDRY AND MAGIC INC.

(Formerly Germinate Capital Ltd.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Unaudited: Presented in Canadian Dollars)

14. SR&ED TAX CREDIT

The Company received a SR&ED tax credit in the amount of \$272,275 (2021 - \$243,021) net of professional fees of \$45,606 (2021 - \$40,000) related to research and development expenditures incurred.

15. SUBSEQUENT EVENTS

On October 28, 2022, the Company received \$11,250 upon exercise of stock options.

On November 29, 2022, the Company anticipates the completion of a non-brokered private placement by issuing 5,600,000 units (the "Units") at a price of C\$0.25 per Unit for gross proceeds of \$1,400,000. Each Unit will be comprised of one common share (a "Share") and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder to purchase one additional Share for a period of three years from the closing of the offering for \$0.45. In connection with the financing, the Company paid \$47,875 as a cash finder's fee and 191,100 as finders' warrants that may be exercised at \$0.25 for two years from the issuance date.