



BEACN

BEACN WIZARDRY AND MAGIC INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

For the nine months ended September 30, 2023 and 2022

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	8-17

**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.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited: Presented in Canadian Dollars)

	Note	September 30, 2023	December 31, 2022
Assets			
Current			
Cash and cash equivalents		\$ 430,591	\$ 1,287,295
Accounts receivable	5	207,038	221,963
Taxes receivable		134,834	138,587
Inventory	6	1,835,029	1,554,763
Prepaid and deposits	7	453,114	941,223
		3,060,606	4,143,831
Non-current			
Property and equipment, net	8	280,309	252,400
Right-of-use asset	11	42,204	61,196
		322,513	313,596
		\$ 3,383,119	\$ 4,457,427
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 252,315	\$ 364,969
Due to related parties	13	-	56,466
Convertible loan	9, 16	-	243,389
Current portion of lease liability	11, 16	6,350	24,650
		258,665	689,474
Non-current			
Lease liability	11, 16	37,819	37,819
Promissory note	10, 16	275,000	175,000
		312,819	212,819
Shareholders' equity			
Share capital	12	7,148,501	6,549,672
Reserves	12	1,316,103	949,568
Deficit		(5,652,969)	(3,944,106)
		2,811,635	3,555,134
		\$ 3,383,119	\$ 4,457,427

These consolidated financial statements are approved by the Board on November 23, 2023

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.**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	
		2023	2022	2023	2022
Sales, net	15	\$ 886,786	\$ 727,088	\$ 1,981,810	\$ 3,534,994
Cost of sales		535,955	411,874	1,154,078	2,036,313
Gross profit		350,831	315,214	827,732	1,498,681
Expenses					
Advertising and marketing		106,295	65,470	387,071	134,424
Consulting fees		93,328	39,782	157,261	111,049
Depreciation of property and equipment	8	22,623	28,524	67,870	83,652
Depreciation of right-of-use asset	11	6,331	6,331	18,992	8,441
Office, supplies, and miscellaneous		76,761	18,648	211,436	104,710
Professional fees	13	55,392	20,921	131,342	86,628
Prototype and pre-production costs		25,129	10,458	63,955	12,645
Research and development		28,423	-	138,829	-
Rent and operating costs	11	11,269	8,182	33,810	30,319
Salaries and benefits	13	435,021	252,845	1,166,548	744,092
Share-based payments	12(c)	84,051	7,182	84,051	114,907
Transfer agent, filing fees and shareholder communications		6,192	4,093	23,849	21,160
Travel and related costs		16,608	2,671	22,448	11,129
Operating income (loss)		(616,592)	(149,893)	(1,679,730)	35,525
Other items					
SR&ED, net of professional fees	17	-	-	-	272,275
Foreign exchange gain (loss)		(1,842)	(6,475)	(6,899)	1,841
Interest and accretion expense	9,10,11,16	(3,669)	(45,716)	(22,234)	(69,485)
		(5,511)	(52,191)	(29,133)	204,631
Net income (loss) and comprehensive income (loss) for the period		(622,103)	(202,084)	(1,708,863)	240,156
Basic and diluted loss per share		\$ (0.01)	\$ (0.00)	\$ (0.04)	\$ 0.01
Weighted average number of common shares outstanding		45,666,401	42,784,336	43,755,581	42,784,336

See the notes to the condensed consolidated interim financial statements

BEACN WIZARDRY AND MAGIC INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Presented in Canadian Dollars)

	Note	Share Capital		Reserves					Total Shareholders' Equity
		Number of shares	Amount	Share-based payments	Warrants	Finders' Warrants	Conversion rights	Deficit	
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	12(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
Shares issued on private placement	12(b)	5,600,000	918,490	-	481,510	-	-	-	1,400,000
Shares issued on exercise of options	12(b)	112,500	15,036	(3,786)	-	-	-	-	11,250
Share issuance costs	12(b)	-	(128,521)	-	-	40,683	-	-	(87,838)
Share-based payments	12(c)	-	-	7,707	-	-	-	-	7,707
Net loss for the period		-	-	-	-	-	-	(691,310)	(691,310)
Balance, December 31, 2022 (audited)		48,496,836	6,549,672	316,638	554,193	42,697	36,040	(3,944,106)	3,555,134
Shares issued on private placement	12(b)	4,450,000	607,516	-	282,484	-	-	-	890,000
Share issuance costs	12(b)	-	(8,687)	-	-	-	-	-	(8,687)
Share-based payments	12(c)	-	-	84,051	-	-	-	-	84,051
Net loss for the period		-	-	-	-	-	-	(1,708,863)	(1,708,863)
Balance, September 30, 2023 (unaudited)		52,946,836	\$ 7,148,501	\$ 400,689	\$ 836,677	\$ 42,697	\$ 36,040	\$ (5,652,969)	\$ 2,811,635

See the notes to the condensed consolidated interim financial statements

BEACN WIZARDRY AND MAGIC INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited: Presented in Canadian Dollars)

	Note	Nine months ended	
		September 30 2023	September 30 2022
Cash provided by (used in):			
Operating activities			
Net income (loss) for the period		\$ (1,708,863)	\$ 240,156
Items not affecting cash:			
Depreciation property and equipment	8	67,870	83,652
Depreciation of right-of-use asset	11	18,992	8,441
Share-based payments	12(c)	84,051	114,907
Interest and accretion expense	9,10,11,16	22,234	69,485
Changes in non-cash working capital items:			
Accounts receivables		14,925	(109,775)
Taxes receivable		3,753	(3,496)
Prepaid and deposits		488,109	(106,902)
Inventory		(280,266)	(1,485,820)
Accounts payable and accrued liabilities		(115,568)	(107,501)
Due to related parties		(56,466)	39,628
Net cash used in operating activities		(1,461,229)	(1,257,226)
Investing activities			
Property and equipment		(95,779)	(44,313)
Net cash used in investing activities		(95,779)	(44,313)
Financing activities			
Proceeds from promissory note	10,16	200,000	-
Payment of lease liability	11,16	(21,423)	(9,521)
Interest paid	9,10,11,16	(12,167)	-
Proceeds from issuance of common shares	12(b)	890,000	-
Payment of convertible loan	9	(250,000)	-
Payment of promissory note	10	(100,000)	-
Share issuance costs	12(b)	(6,106)	-
Net cash used in financing activities		700,304	(9,521)
Change in cash and cash equivalents		(856,704)	(1,311,060)
Cash and cash equivalents, beginning of the period		1,287,295	2,039,515
Cash and cash equivalents, end of the period		\$ 430,591	\$ 728,455
		September 30, 2023	September 30, 2022
Share issuance costs in accounts payable and accrued liabilities		\$ 2,581	\$ -

See the notes to the condensed consolidated interim financial statements

BEACN WIZARDRY AND MAGIC INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(Unaudited: Presented in Canadian Dollars)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

BEACN Wizardry and Magic Inc. (“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”) 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 to 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 was 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. These audited consolidated financial statements are prepared as a continuation of the financial statements of Beacon, reflecting the equity instruments of BEACN.

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 its assets and discharge its liabilities in the normal course of business. The Company incurred a net loss of \$1,708,863 for the nine months ended September 30, 2023. 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.

The current market conditions and volatility increase the uncertainty 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.

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 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(Unaudited: Presented in Canadian Dollars)

2. BASIS OF PREPARATION - STATEMENT OF COMPLIANCE

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and related IFRS Interpretations Committee (“IFRICs”) as issued by the International Accounting Standards Board (“IASB”). The unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of these unaudited condensed consolidated interim financial statements in conformity with IFRS 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, 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, 2022.

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, 2022. 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, 2023 are not necessarily indicative of the results that may be expected for the current fiscal year ending December 31, 2023.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The fair values of the Company’s cash and cash equivalents, accounts receivable, 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 cash and accounts receivable. The Company’s bank accounts are held with major banks in Canada and the United States. Accordingly, the Company believes it is not exposed to significant credit risk on its cash. Sales to retail customers are required to be settled using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due.

BEACN WIZARDRY AND MAGIC INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

(Unaudited: Presented in Canadian Dollars)

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

a) Credit risk (cont'd)

Trade receivables are written off where there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

There was no loss allowance as at September 30, 2023 and no change in the loss allowance during the three months ended.

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.

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, 2023, the Company had a cash balance of \$430,591 to settle current liabilities of \$258,665.

The Company's risk management is predominantly controlled by Management with oversight by the board of directors.

5. ACCOUNTS RECEIVABLE

	September 30, 2023	December 31, 2022
Trade receivables	\$ 207,038	\$ 221,963
	<u>\$ 207,038</u>	<u>\$ 221,963</u>

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional.

6. INVENTORY

	September 30, 2023	December 31, 2022
Parts and other	\$ 7,253	\$ 42,674
Finished goods	1,774,812	1,427,706
Shipping	52,964	84,383
	<u>\$ 1,835,029</u>	<u>\$ 1,554,763</u>

The costs of individual items of inventory are determined using weighted average costs. Inventories recognized as an expense during the nine months ended September 30, 2023 amounted to \$1,154,078 (2022 – \$2,036,313). These were included in the cost of sales.

BEACN WIZARDRY AND MAGIC INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

(Unaudited: Presented in Canadian Dollars)

7. PREPAID EXPENSES

	September 30, 2023	December 31, 2022
Inventory deposit on purchase order	\$ 381,942	\$ 797,996
Promotional	50,000	100,000
Shipping prepayment	-	21,769
Other	21,172	21,458
	<u>\$ 453,114</u>	<u>\$ 941,223</u>

8. PROPERTY AND EQUIPMENT

	Computer equipment and software	Moulds for Products	Furniture and Fixtures	Leasehold Improvements	Total
Balance, December 31, 2021	\$ 68,923	\$ 253,025	\$ -	\$ -	\$ 321,948
Additions	31,115	2,291	7,495	9,346	50,247
Depreciation	(60,358)	(54,525)	(2,185)	(2,726)	(119,795)
Balance, December 31, 2022	39,680	200,791	5,310	6,620	252,400
Additions	9,159	82,417	1,213	2,989	95,779
Depreciation	(15,132)	(50,198)	(1,299)	(1,241)	(67,870)
Balance, September 30, 2023	\$ 33,707	\$ 233,010	\$ 5,224	\$ 8,368	\$ 280,309

9. 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 12(b) and 13). 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, 2023, \$9,736 (2022 - \$17,639) in accretion expense was recorded.

On April 14, 2023, pursuant to the second amending agreement, the maturity date of the Loan was amended to August 29, 2023 and a \$6,500 extension fee was paid as consideration. The Company has the right to repay the Loan without penalty prior to the maturity date as extended.

On August 29, 2023, the Company repaid the convertible loan including the accrued interest.

10. 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 year ended December 31, 2022, the Company repaid \$100,000 out of \$275,000. During the nine months ended September 30, 2023, the Company incurred \$6,250 (2022 - \$8,250) in interest expense.

During the nine months ended September 30, 2023, the Company received an advance in the amount of \$200,000 from the same shareholder pursuant to the agreement and, the Company repaid \$100,000.

BEACN WIZARDRY AND MAGIC INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(Unaudited: Presented in Canadian Dollars)

11. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company leases an office under a non-cancellable lease with a term to May 31, 2025. The unaudited condensed consolidated statements of loss and comprehensive loss disclose the following amounts relating to leases:

- Depreciation charge of right-of-use assets – \$18,992 (2022 – \$8,441);
- Interest expense (included in interest and accretion expense) – \$3,123 (2022 – \$1,886); and
- Expense relating to short-term leases (included in rent and operating costs) – \$33,810 (2022 – \$30,319).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case, the Company's incremental borrowing rate is used, being the rate that it would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate (8% per annum), the Company investigated borrowing rates at its Canadian bank at that time.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

12. SHARE CAPITAL

(a) Authorized:

At September 30, 2023, 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.

As at September 30, 2023, 8,188,200 common shares of the Company were being held in escrow pursuant to three escrow agreements. These shares will be released from escrow on October 29, 2023 (2,062,650), April 29, 2024 (2,062,650), and October 29, 2024 (4,062,900).

(b) Share issuances:

Fiscal 2023

On October 3, 2023, the Company completed a non-brokered private placement (the "Offering") of 4,450,000 units of the Company (the "Units") at a price of \$0.20 per Unit for gross proceeds of \$890,000. Each Unit is comprised of one common share (a "Share") and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one additional share for a period of three years from the closing of the Offering for \$0.45. The warrants were ascribed a value of \$282,484 under the Black-Scholes valuation model with the residual being allocated to share capital. In connection with the financing, the Company incurred \$8,687 in share issuance costs.

Fiscal 2022

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

On November 29, 2022, the Company closed a non-brokered private placement by issuing 5,600,000 units (the "Units") at a price of \$0.25 per Unit for gross proceeds of \$1,400,000. Each Unit is comprised of one common share (a "Share") and one non-transferable common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one additional Share for a period of three years from the closing of the offering for \$0.45.

BEACN WIZARDRY AND MAGIC INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

(Unaudited: Presented in Canadian Dollars)

12. SHARE CAPITAL, (cont'd)

The warrants were ascribed a value of \$481,510 under the Black-Scholes valuation model with the residual being allocated to share capital. 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.

The finders' warrants were ascribed a value of \$40,683 under the Black-Scholes valuation model.

(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:

Expiry date	Exercise price	December 31, 2022	Issued	Exercised	Expired	September 30, 2023
October 29, 2022	\$ 0.10	-	-	-	-	-
October 29, 2026	\$ 0.30	3,100,000	-	-	(25,000)	3,075,000
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
October 17, 2027	\$ 0.26	50,000	-	-	(50,000)	-
September 23, 2028	\$ 0.20	-	950,000	-	-	950,000
April 20, 2031	\$ 0.10	337,500	-	-	-	337,500
Outstanding		4,137,500	950,000	-	(75,000)	5,012,500
Weighted average exercise price	\$	0.29	\$	0.20	\$Nil	\$ 0.27

At September 30, 2023, the weighted average remaining life of the outstanding and exercisable options is 3.82 years (December 31, 2022 – 4.09 years).

The fair value of options granted and expensed during the nine months ended September 30, 2023 was \$84,051 (2022 - \$114,907).

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

	2023	2022
Expected dividend yield	Nil	Nil
Expected stock price volatility	85.41%	58.14% - 70.71%
Risk-free interest rate	1.80%	1.30% - 1.74%
Forfeiture rate	Nil	Nil
Expected options life in years	5 years	5 years

BEACN WIZARDRY AND MAGIC INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

(Unaudited: Presented in Canadian Dollars)

12. SHARE CAPITAL, (cont'd)

(d) Warrants

Expiry date	Exercise price	December 31, 2022	Issued	Exercised	Expired	September 30, 2023				
October 29, 2023 ^(a)	\$ 0.30	77,475	-	-	-	77,475				
November 29, 2024	\$ 0.25	191,100	-	-	-	191,100				
November 29, 2025 ^(b)	\$ 0.45	8,516,666	-	-	-	8,516,666				
April 20, 2026	\$ 0.10	250,000	-	-	-	250,000				
July 25, 2026	\$ 0.45	-	3,950,000	-	-	3,950,000				
September 29, 2026	\$ 0.45	-	500,000	-	-	500,000				
Outstanding		9,035,241	4,450,000	-	-	13,485,241				
Weighted average exercise price	\$	0.43	\$	0.45	\$	-	\$	-	\$	0.44

^(a) Subsequently expired unexercised^(b) On June 9, 2023, the exercise price of the 2,916,666 warrants was amended from \$0.60 to \$0.45 and the expiry date was extended to November 29, 2025.

At September 30, 2023, the weighted average remaining life of the outstanding warrants is 2.37 years (December 31, 2022 – 2.85 years).

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

	2023	2022
Expected dividend yield	Nil	Nil
Expected stock price volatility	100.15% - 109.99%	Nil
Risk-free interest rate	1.91% - 2.17%	Nil
Forfeiture rate	Nil	Nil
Expected life of warrants	3 years	Nil

BEACN WIZARDRY AND MAGIC INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(Unaudited: Presented in Canadian Dollars)

13. 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, 2023:

	Salaries and benefits	Accounting and management services	Other long-term benefits	Share-based payments	Total
Craig Fraser Chief Executive Officer, Former Director	\$ 81,693	\$Nil	\$Nil	\$Nil	\$ 81,693
Daniel Davies Chief Technology Officer, Director	\$ 81,693	\$Nil	\$Nil	\$Nil	\$ 81,693
Pacific Opportunity Capital Ltd. ⁽¹⁾	\$Nil	\$ 33,000	\$Nil	\$Nil	\$ 33,000
Kevin Alexander, Director	\$Nil	\$Nil	\$Nil	\$ 5,919	\$ 5,919
Scott Christopher, Director	\$Nil	\$Nil	\$Nil	\$ 5,919	\$ 5,919
Sarah Weber, Director	\$Nil	\$Nil	\$Nil	\$ 5,919	\$ 5,919

For the nine months ended September 30, 2022:

	Salaries and benefits	Accounting and management services	Other long-term benefits	Share-based payments	Total
Craig Fraser Chief Executive Officer, Director	\$ 84,665	\$Nil	\$Nil	\$ -	\$ 84,665
Daniel Davies Chief Technology Officer, Director	\$ 84,665	\$Nil	\$Nil	\$ -	\$ 84,665
Pacific Opportunity Capital Ltd. ⁽¹⁾	\$Nil	\$ 48,983	\$Nil	\$ -	\$ 48,983
Mark T. Brown Director	\$Nil	\$Nil	\$Nil	\$ -	\$ -
Kevin Alexander, Director	\$Nil	\$Nil	\$Nil	\$ 37,134	\$ 37,134
Scott Christopher, Director	\$Nil	\$Nil	\$Nil	\$ 37,134	\$ 37,134
Sarah Weber, Director	\$Nil	\$Nil	\$Nil	\$ 9,284	\$ 9,284

⁽¹⁾ Robert Doyle, former CFO, is a Senior Vice President at and shareholder of Pacific Opportunity Capital Ltd.

BEACN WIZARDRY AND MAGIC INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Unaudited: Presented in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS, (cont'd)

Amounts due to:	Service	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Balance due	
				As at September 30, 2023	As at December 31, 2022
Craig Fraser, officer	Salaries and benefits	\$ 81,693	\$ 84,665	\$ -	\$ -
Daniel Davies, officer and director	Salaries and benefits	81,693	84,665	-	-
Robert Doyle, CFO	Expense reimbursement	-	-	-	8,965
Pacific Opportunity Capital Ltd., a company, of which Robert Doyle, former CFO is a shareholder ^(a)	Accounting and management services	33,000	48,983	-	47,501
TOTAL:		\$ 196,386	\$ 218,313	\$ -	\$ 56,466

(a) Robert Doyle resigned as CFO on May 9, 2023 and the accounting and management services amount is included up to May 9, 2023 only. The amount owing to Pacific Opportunity Capital Ltd. as of September 30, 2023 is grouped with accounts payable and accrued liabilities because Mr. Doyle was not a related party as of September 30, 2023.

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.

14. SALES

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Geographic region:		
North America	\$ 1,455,020	\$ 2,722,809
Other	526,790	812,185
	<u>\$ 1,981,810</u>	<u>\$ 3,534,994</u>

15. 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 financing is 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.

16. DEBT RECONCILIATION

This section sets out an analysis of debt and the movements in debt for each of the periods presented.

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Convertible loan	\$ -	\$ 243,389
Promissory note	275,000	175,000
Lease liability	44,169	62,469
Total debt	<u>\$ 319,169</u>	<u>\$ 480,858</u>

BEACN WIZARDRY AND MAGIC INC.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

(Unaudited: Presented in Canadian Dollars)

16. DEBT RECONCILIATION (cont'd)

	Convertible Loan	Promissory Note	Lease Liability	Total
Debt as at December 31, 2021	\$ 219,394	\$ 275,000	\$ -	\$ 494,394
New lease	-	-	75,967	75,967
Financing cash flows	-	(100,000)	(13,498)	(113,498)
Accretion expense	36,495	-	-	36,495
Interest expense	-	10,667	3,166	13,833
Interest payments (presented as financing cash flows)	(12,500)	(10,667)	(3,166)	(26,333)
Debt as at December 31, 2022	243,389	175,000	62,469	480,858
Financing cash flows	(250,000)	100,000	(18,300)	(168,300)
Accretion expense	12,861	-	-	12,861
Interest expense	-	6,250	3,123	9,373
Interest payments (presented as financing cash flows)	(6,250)	(6,250)	(3,123)	(15,623)
Debt as at September 30, 2023	-	\$ 275,000	\$ 44,169	\$ 319,169

17. SR&ED TAX CREDIT

The Company recorded a SR&ED tax credit in the amount of \$Nil (2022 - \$272,275) net of professional fees of \$Nil (2022 - \$45,606) related to research and development expenditures incurred.

In 2022, the Company received a SR&ED tax refund of \$272,275 net of professional fees of \$45,606 related to research and development expenditures incurred prior to October 29, 2021. SR&ED amounts incurred after October 29, 2021 may be applied to reduce taxable income of the Company and are otherwise not refundable. The Company estimates approximately \$1,000,000 of SR&ED is available to offset future taxes payable. Professional fees for preparation of SR&ED returns are expensed in the period when the SR&ED return is assessed by the Canada Revenue Agency.

18. COMPARATIVE AMOUNTS

Certain of the prior year comparative amounts have been reclassified to conform with the current year's presentation.

19. SUBSEQUENT EVENTS

On October 29, 2023, 77,475 warrants expired unexercised.