BrandPilot AI Inc.
(formerly, Universal PropTech Inc.)

Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2024 and 2023

(Expressed in Canadian Dollars)

The accompanying unaudited condensed interim financial statements for the three and nine months ended December 31, 2024 and 2023 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company. In accordance with National Instrument 51-102 Continuous Disclosure Obligations of the Canadian Securities Administrators, the Company herewith discloses that the accompanying unaudited condensed interim financial statements have not been reviewed by an auditor.

BrandPilot AI Inc. (formerly, Universal PropTech Inc.)
Unaudited Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2024	As at March 31, 2024
	$	$
Assets		
Current Assets		
Cash and cash equivalents	**138,737**	93,861
Accounts receivable (Note 4 and 13)	**182,020**	53,287
Prepaid expenses	**22,517**	-
Total Current Assets	**343,274**	147,148
Computer equipment and software (Note 5)	**26,170**	45,170
Total Assets	**369,444**	192,318
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 13(m))	**985,661**	1,093,128
Notes payable (Note 7)	**7,822**	242,000
Deferred revenue	**59,198**	94,574
Loan payable	**-**	250,000
Convertible debenture (Note 9)	**178,406**	-
BDC Loan (Note 8)	**41,640**	41,640
Total Current Liabilities	**1,272,727**	1,721,342
BDC Loan (Note 8)	**170,030**	201,260
Convertible debenture (Note 9)	**104,270**	223,583
Total Liabilities	**1,547,027**	2,146,185
Shareholders' Equity		
Share capital (Note 10)	**5,602,593**	2,987,385
Equity component of convertible debenture (Note 9)	**7,704**	7,704
Reserve for share-based payments (Note 11)	**393,344**	233,750
Reserve for Warrants (Note 12)	**1,330,995**	1,330,995
Accumulated deficit	**(8,512,219)**	(6,513,702)
Total Equity	**(1,177,583)**	(1,953,868)
Total Liabilities and Shareholders' Equity	**369,444**	192,318

Nature of operations and going concern (Note 1)
Subsequent events (Note 18)

Approved by the Board

/s/ "Brandon Mina" *"/s/ "Andres Tinajero"*

Brandon Mina, Director Andres Tinajero, Director

BrandPilot AI Inc. (formerly, Universal PropTech Inc.)
Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended December 31, 2024 and 2023
(Expressed in Canadian Dollars)

	Three months ended December 31, 2024	Three months ended December 31, 2023	**Nine months ended December 31, 2024**	Nine months ended December 31, 2023
	$	$	**$**	$
Revenue				
Sales revenue	**78,207**	134,990	**358,230**	458,394
Cost of sales	**(25,570)**	(78,315)	**(107,645)**	(244,556)
Gross Profit (Loss)	**52,637**	56,675	**250,585**	213,838
Expenses				
Salaries and consulting fees	**233,580**	271,593	**883,024**	774,687
Professional fees	**229,033**	218,552	**602,190**	462,362
Share-based compensation (Notes 11 and 12)	**19,769**	22,361	**119,877**	55,437
Research and development	**44,705**	7,054	**44,705**	20,097
Office and general	**42,878**	45,688	**244,317**	75,287
Sales and Marketing	**86,045**	35,410	**124,828**	57,765
Depreciation of computer equipment and software (Note 5)	**6,333**	6,333	**19,000**	19,000
	(662,343)	(606,991)	**(2,037,941)**	(1,464,635)
Loss before Other Income/(Expenses)	**(609,706)**	(550,316)	**(1,787,356)**	(1,250,797)
Other Income (Expenses)				
Interest and accretion (Note 9 and 16)	**(22,128)**	(12,141)	**(71,906)**	(30,195)
Foreign exchange income/(loss)	**1,262**	(6,177)	**(2,146)**	(9,818)
Listing expense	**-**	-	**(137,109)**	-
Loss on settlement of debt	**-**	-	**-**	(136,764)
	(20,866)	(18,318)	**(211,161)**	(176,777)
Net loss before taxes	**(630,572)**	(568,634)	**(1,998,517)**	(1,427,574)
Other income	**-**	105,712	**-**	105,712
Net Comprehensive Loss	**(630,572)**	(462,922)	**(1,998,517)**	(1,321,862)

The accompanying notes are an integral part of these financial statements

BrandPilot AI Inc. (formerly, Universal PropTech Inc.)

Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended December 31, 2024 and 2023
(Expressed in Canadian Dollars)

	2024	2023
	$	$
Operating Activities		
Net loss for the period	**(1,998,517)**	(1,321,862)
Share-based compensation (Note, 11 and 12)	**119,877**	55,437
Depreciation of computer equipment and software (Note 5)	**19,000**	19,000
Finance costs (Note 7)	**38,113**	15,472
Shares issued for services	**64,568**	23,204
Gain on settlement of debt	-	136,764
Listing expense (Note 6)	**137,109**	-
	(1,607,850)	(1,071,985)
Net change in non-cash working capital items:		
Accounts receivables	**286,505**	(41,433)
Prepaid expenses	**55,019**	-
Deferred revenue	**(35,376)**	(33,606)
Accounts payable and accrued liabilities	**(724,650)**	265,637
Cash Flows used in Operating Activities	**(2,038,352)**	(881,387)
Financing Activities		
Proceeds from private placement financings (Note 10)	**250,000**	323,809
BDC loan	-	125,000
BDC loan repayments (Note 8)	**(31,230)**	-
Repayment of advances to related party	**(262,178)**	-
Notes payable from related parties (Note 7)	**28,000**	155,000
Proceeds from issuance of convertible debentures – net of costs (Note 9)	**134,180**	92,000
Loan advance	-	250,000
Cash Flows provided by Financing Activities	**118,772**	945,809
Investing Activities		
Cash acquired on reverse takeover (Note 6)	**1,964,456**	-
Cash Flows from Investing Activities	**1,964,456**	-
Increase in cash	**44,877**	64,422
Cash, beginning of period	**93,861**	42,874
Cash, end of period	**138,737**	107,296
Additional cashflow information:		
Debt conversions included in private placements	22,200	-
Shares issued on conversion of debentures	113,200	-
Shares issued for services or other such settlement arrangements	64,568	542,550

BrandPilot AI Inc. (formerly, Universal PropTech Inc.)
Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended December 31, 2024 and 2023
(Expressed in Canadian Dollars)

	Number of shares	Share capital	Equity component of convertible debentures	Share-based payments	Warrants reserve	Accumulated deficit	Total
	#	$	$	$	$	$	$
Balance March 31, 2023	**54,272,419**	**1,680,272**	**-**	**146,712**	**1,326,247**	**(4,486,030)**	**(1,332,799)**
Issues of shares to vendor for services (Note 10)	20,155,385	383,032	-	-	-	-	383,032
Issuance of shares on 2022 bonus shares (Note 10)	760,716	29,364	-	-	-	-	29,364
Issuance of shares on 2022 management Bonus (Note 10)	2,660,000	102,676	-	-	-	-	102,676
Issuance of shares on deferred salaries (Note 10)	427,531	4,275	-	-	-	-	4,275
Issuance of shares on related party loan (Note 10)	85,714	857	-	-	-	-	857
Issuance of shares on deferred payment on services (Note 10)	234,643	2,346	-	-	-	-	2,346
Issuance of shares from private placements (Notes 10)	69,705,001	697,050	-	-	-	-	697,050
Issuance of shares on exercise of RSUs	900,000	27,513	-	(27,513)	-	-	-
Issuance to former CEO on resignation	2,000,000	20,000	-	-	-	-	20,000
Equity component of convertible debentures	-	-	7,704	-	-	-	7,704
Stock-based compensation (Note 11,12)	-	-	-	55,437	-	-	55,437
Net loss for the period	-	-	-	-	-	(1,321,862)	(1,321,862)
Balance December 31, 2023	**151,201,409**	**2,947,385**	**7,704**	**174,636**	**1,326,247**	**(5,807,892)**	**(1,351,920)**
Balance March 31, 2024	**34,920,317**	**2,987,385**	**7,704**	**233,750**	**1,330,995**	**(6,513,702)**	**(1,953,868)**
Issuance of shares on reverse takeover (Note 6)	49,217,408	2,187,440	-	39,717	-	-	2,227,157
Issuance of shares from private placements (Notes 10)	5,625,000	250,000	-	-	-	-	250,000
Issuance of shares on conversion of debentures	2,547,000	113,200	-	-	-	-	113,200
Issuance of shares on stock success fee	1,430,280	64,568	-	-	-	-	64,568
Stock-based compensation (Note 11,12)	-	-	-	119,877	-	-	119,877
Net loss for the period	-	-	-	-	-	(1,998,517)	(1,998,517)
Balance December 31, 2024	**93,740,005**	**5,602,593**	**7,704**	**393,344**	**1,330,995**	**(8,512,219)**	**(1,177,583)**

The accompanying notes are an integral part of these financial statements

1. Nature of Operations and Going Concern

BrandPilot AI Inc (formerly Universal PropTech Inc. or "UPI") ("BPAI" or the "Company") was incorporated under the Canada Business Corporation Act on August 22, 2008. On June 24, 2024, UPI changed its name to BrandPilot AI Inc. The address of the Company's corporate office is 130 Adelaide Street West, Suite 3002, Toronto, Ontario, M5H 3P5. The Company's common shares are listed on the Canadian Stock Exchange (the "CSE") under the ticker symbol "BPAI", the OTCQB® Venture Market under the symbol "BPAIF".and in Germany on the Frankfurt Stock Exchange the Company is trading under the ticker symbol "8LH0".

On June 28, 2024, the Company completed a change of business (the "COB Transaction") by way of a reverse takeover transaction (the "RTO", see note 6) with Xemoto Media Ltd. (incorporated under the *Business Corporations Act* (Ontario) on July 6, 2020) ("Xemoto"), whereby all of the issued and outstanding common shares of Xemoto were exchanged on the basis of 0.225 common shares (the "Exchange Ratio") in the capital of BPAI for each common share in the capital of Xemoto held by shareholders immediately prior to the closing of the COB Transaction. All references to share capital, stock options and RSUs in these financial statements, have been adjusted to reflect to the Exchange Ratio. In connection with the completion of the COB Transaction, the Common Shares of BPAI were delisted from the TSX Venture Exchange on June 13, 2024, and commenced trading on the CSE July 8, 2024.

For accounting purposes, the RTO has been presented as the acquisition of BPAI by Xemoto. The fiscal year-end of the Company will continue as March 31, being the fiscal year end of Xemoto and the comparative figures are those of Xemoto.

BPAI is a performance marketing technology company headquartered in Toronto, Canada, specializing in innovative solutions that aim to deliver exceptional ROI for global enterprise brands. Leveraging artificial intelligence, data analytics, and industry expertise, BPAI empowers organizations to navigate complex advertising landscapes with precision. The Company's flagship product, AdAi, combats ad waste by optimizing uncontested ad pricing in paid search campaigns, while Spectrum IQ, harnesses micro-influencers to maximize ROI for global enterprise brands.

These financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. The application of the going concern basis is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations, or, in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future. While the Company was able to raise funds during the nine months ended December 31, 2024, it also incurred a net and comprehensive loss of $1,998,517 (loss for the year ended March 31, 2024 – $2,027,672), and, as of that date, the Company's accumulated deficit was $8,512,219 (March 31, 2024 – $6,513,702). The Company has assessed the going concern assumption and concluded that the Company's cash position is insufficient to finance the business and to finance continued operations for the 12 months following December 31, 2024. The continuity of the Company's operations depends on raising future financing for working capital to continue investing in tools like artificial intelligence to enhance brand management and advertising strategies. If the Company cannot continue as a going concern, it may be forced to seek relief under applicable legislation, which could have a negative impact on the price and volatility of the common shares.

For this reason, the Company continues to adopt the going concern basis in preparing its condensed interim consolidated financial statements. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications that would be necessary if the going concern assumptions were not appropriate. These adjustments would be material to the condensed interim consolidated financial statements.

2. Basis of Presentation

(a) Statement of Compliance

These financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board and in accordance with IAS 34, Interim Financial Reporting. The accounting policies set out below were consistently applied to all periods presented unless otherwise noted. These financial statements were approved and authorized for issuance by the Board of Directors (the "Board") of the Company on February 24, 2025.

2. Basis of Presentation (continued)

(b) Basis of Measurement

These financial statements have been prepared on the historical cost basis except for certain financial instruments carried at fair value, as explained in the accounting policies as set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional Currency
These financial statements are presented in Canadian dollars ("$"), which is the Company's functional currency. The functional currency is the currency of the primary economic environment in which the Company operates.

(c) Significant Accounting Judgments and Estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

Going concern

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources, and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning. The assumptions used in management's going concern assessment are derived from actual operating results along with industry and market trends.

Revenue Recognition

The Company recognizes revenue in accordance with IFRS 15 – Revenue from Contracts with Customers. Revenue represents the fair value of consideration received or receivable from customers for the transfer of control of goods or services by the Company, net of discounts and sales taxes. The Company generates revenue from technology services and a subscription-based software-as-a-service model. Revenue is recognized when persuasive evidence of an arrangement exists, the fee is fixed or determinable, and collectability is reasonably assured. Income is recorded in deferred revenue upon invoicing and is recognized ratably over the contract term, and begins when the customer has the right-to-use and access to the software. Revenue from usage-based fees is recognized in the period in which the customer incurs the usage, at a point in time.

Technology service income is recognized over time when the services have been provided, and control of the deliverable has been transferred to the customer. Revenue from SAAS is recognized over the subscription period. One-time set up fees are either recognized over the contract term (if the setup is essential to providing the SAS revenue), or recognized when the service is delivered (if a distinct service is provided). Payments received prior to the transfer of control of the deliverable are recorded as deferred revenue and recognized as the related services are provided. Management estimates the pace of revenue recognition based on contract milestones. The Company's arrangements with customers are evidenced by contracts with customers. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the service is distinct from some or all of the other services in the arrangement. A service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct services are combined with other services until they are distinct as a bundle and therefore form a single performance obligation.

2. Basis of Presentation (continued)

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. Judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

Derivative liabilities

The conversion feature of convertible debts, which contain contractual terms that result in the potential adjustment in the conversion or exercise price, is accounted for as a derivative liability as its fair value is affected by changes in the fair value of the common shares in the capital of the Company ("Common Shares"). The estimates, assumptions and judgments made in relation to the fair value of derivative liabilities are subject to measurement uncertainty. The conversion feature of convertible debts is required to be measured at fair value at each reporting period. The valuation techniques used to determine fair value require inputs that involve assumptions and judgments such as estimating the future volatility of the stock price, expected dividend yield, and expected life. Such judgments and assumptions are inherently uncertain.

Estimated useful lives, depreciation/ amortization of computer equipment, and software

Depreciation of property and equipment is dependent upon estimates of useful life, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts which take into account factors such as economic conditions, market conditions and the useful lives of assets.

Impairment

Long-lived assets, including property and equipment, are reviewed for indicators of impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is defined as the higher of: (i) value-in-use; or (ii) fair value less cost to sell. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of the Black-Scholes valuation model ("Black-Scholes"). This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest rate.

(d) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Xemoto Media Ltd. Inter-company transactions and balances between the Company and its subsidiaries have been eliminated on consolidation.

Profit or loss and other comprehensive loss of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

(Expressed in Canadian Dollars)

3. Summary of Material Accounting Policies

These financial statements reflect the accounting policies described in Note 3 to the audited financial statements for the year ended March 31, 2024 and accordingly, should be read in conjunction with such audited financial statements and the notes thereto.

New accounting standards

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods commencing on or after April 1, 2024. Many are not applicable or do not have a significant impact to the Company and have been excluded.

4. Accounts Receivable

	December 31, 2024	March 31, 2024
	$	$
Sales tax refund receivable (i)(ii)	**59,759**	24,533
Trade receivables (ii)	**122,261**	28,754
	182,020	53,287

(i) The Company's sales tax receivable balance represents amounts due from government taxation authorities in respect of the Harmonized Sales Tax.

(ii) The Company anticipates full recovery of these amounts and therefore no credit loss has been recorded against these receivables, which are due in less than one year.

5. Computer equipment and software

The Company's property and equipment are comprised of the following as at December 31, 2024 and March 31, 2024:

	Computer equipment	**Software**	**Total**
	$	**$**	**$**
Cost at:			
Balance, March 31, 2023	**19,001**	**95,000**	**114,001**
Addition for the year	-	-	**-**
Balance, March 31, 2024	**19,001**	**95,000**	**114,001**
Addition for the period	-	-	**-**
Balance, December 31, 2024	**19,001**	**95,000**	**114,001**
Accumulated depreciation/amortization at:			
Balance, March 31, 2023	**7,872**	**35,625**	**43,497**
Depreciation	6,334	19,000	**25,334**
Balance, March 31, 2024	**14,206**	**54,625**	**68,831**
Depreciation	4,750	14,250	**19,000**
Balance, December 31, 2024	**18,956**	**68,875**	**87,831**
Net book value:			
March 31, 2024	**4,795**	**40,375**	**45,170**
December 31, 2024	**45**	**26,125**	**26,170**

Software is comprised of the Company's core proprietary platform, Spectrum, which connects BrandPilot's clients with Influencers who create and disseminate clients' content to their followers on a wide range of social media platforms.

(Expressed in Canadian Dollars)

6. Reverse Takeover Transaction

On June 28, 2024, the Company completed the COB Transaction (which constituted an RTO), pursuant to which it acquired all of the issued and outstanding shares of Xemoto (Note 1). While the Company was the legal acquirer, Xemoto was the accounting acquirer since shareholders of Xemoto held and controlled the majority of the outstanding Common Shares (on a fully diluted basis) upon completion of the RTO, and the board of Xemoto became the board of the Company. As a result of the RTO, the consolidated financial statements and comparative information are presented with Xemoto (since re-named BrandPilot AI) as the continuing entity.

The acquisition of the Company was accounted for as an asset acquisition, as the assets acquired and liabilities assumed did not constitute a business, as defined in IFRS 3, Business Combinations. The total consideration was allocated to the fair value of the net assets acquired and liabilities assumed, as follows:

Net assets acquired and the consideration paid	**$**
Cash	1,964,456
Prepaid expenses	77,536
Other receivables	665,238
Accounts payable	(617,182)
Net assets acquired as at June 30 2024	**2,090,048**
Consideration given	
Deemed issuance 49,217,408 common shares to the former shareholders of UPI (i)	2,187,440
Deemed issuance 2,850,000 stock options to the former option holders of UPI (i)	39,717
	2,227,157

In connection with the RTO, the Company recognized a listing expense in the amount of $137,109, such amount being equal to the consideration paid less the net assets acquired under the RTO. The deemed consideration paid by Xemoto (for the net assets of the Company), being the total shares of the Company prior to the RTO, was measured on the basis of the fair value of the equity instruments issued, considering the price per share ascribed from the Xemoto private placement financing. This price was used as the estimated fair value as it was the most reliable basis of measurement. The deemed consideration also included stock options which were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 4.00% and an expected life of 0.08 – 2.60 years.

7. Notes Payable

Related party notes

During the year ended March 31, 2023, the Company issued $280,500 of promissory notes (the "Notes") to certain executives, directors and arm's-length third-parties, bearing interest at 8%-12% per year compounded annually and payable on demand.

During the year ended March 31, 2024, an additional $330,000 Notes were issued under the same terms.

On June 8, 2023, the Company converted $368,500 of the Notes and $4,741 accrued interest into shares through the participation of a rights offering (Note 10).

During the nine months ended December 31, 2024, $28,000 Notes were issued under the same terms to directors of the Company, and $12,200 were repaid through a debt settlement arrangement as part of the private placement and 249,978 were repaid (see note 10).

As at December 31, 2024, the notes payable balance was $7,822 (March 31, 2024– $242,000). Accrued interest on the Notes of $6,428 (March 31, 2024 – $16,156) was included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

7. Notes Payable (continued)

As at December 31, 2024, the breakdown of the Notes is as follows:

Issuance Date	Recipient's Relationship to the Company	Principal Amount December 31, 2024	Principal Amount March 31, 2024
		$	$
September 12, 2022	Former executive	-	40,000
June 9, 2023	Executive	-	15,000
June 9, 2023	Director	-	12,000
February 8, 2024	Various Directors	7,822	110,000
February 26, 2024	Director	-	10,000
February 27, 2024	Company owned by a director	-	10,000
March 31, 2024	Director	-	10,000
March 8, 2024	Company owned by a director	-	10,000
March 12, 2024	Directors	-	25,000
Total Notes Payable Balance		**7,822**	**242,000**

8. BDC Loan

On January 19, 2023, the Company entered into a loan agreement with the Business Development Bank of Canada ("BDC") for a total loan amount of $250,000 ("BDC Loan"). The BDC Loan is guaranteed by certain directors of the Company and secured by a general security agreement between BDC and Xemoto dated January 19, 2023. The interest payable on the BDC Loan is at a floating base rate of 8.55% per year plus variance interest at a rate of 3.89% per year. The initial disbursement of $125,000 was done immediately upon executing of the BDC Loan. The remaining $125,000 of the BDC Loan was distributed on July 28, 2023. The maturity date of the BDC Loan will be January 1, 2030. For the nine months ended December 31, 2024, interest was charged on the BDC Loan in the amount of $21,991 (December 31, 2023 – $18,006).

The repayment schedule of the BDC Loan is as follows:

Payments				
Number	Frequency	Amount ($)	Start Date	End Date
1	Once	3,630.00	01/02/2024	01/02/2024
72	Monthly	3,470.00	01/03/2024	01/01/2030

9. Convertible Debenture

On August 23, 2023, the Company closed a non-brokered private placement for gross proceeds of $100,000 through the issuance of unsecured convertible debentures ("Debentures") at a price of $1,000 per Debenture. The Debentures bear interest at a rate of 10% per annum from the date of issuance and are payable semi-annually in arrears (with the first payment due six (6) months from the closing of the non-brokered private placement) in cash. The Debentures rank pari passu with one another. The Debentures mature on the date which is three (3) years from the closing of the non-brokered private placement of Debentures. Each Debenture may be converted into Common Shares at the option of the holder at any time prior to the close of the third business day prior to the maturity date, at a conversion price of $0.11 (the "CD Conversion Price"). If, for a period of twenty (20) consecutive trading days, the volume-weighted average price (VWAP) of the Common Shares on a recognized stock exchange or quotation system equals or exceeds $0.68 per Common Share (referred to as the "Conversion Trigger Price"), the Debentures shall automatically convert into Common Shares at the CD Conversion Price. The automatic conversion will take effect on the twenty-first (21st) trading day following the achievement of the Conversion Trigger Price.

9. Convertible Debenture (continued)

Upon conversion, the Debenture holders will receive a number of Common Shares calculated by dividing the principal amount of the Debentures to be converted by the CD Conversion Price. Any interest owing at the date of such conversion will be paid to the holder in cash. The Company will have a right to prepay or redeem part or all of the principal amount of the Debentures at par plus accrued and unpaid interest and an additional amount equivalent to three months interest on the Debentures being pre-paid and/or redeemed. Such pre-payment or redemption may be made at any time by providing written notice of the date for pre-payment/redemption to such holder at least 30 days prior to such date. In connection with the non-brokered private placement of Debentures, 320,000 broker unit purchase Warrants, which were issued as compensation to the agents were waived by the agent as per the fee waiver agreement between the Company and Foundation Markets Inc. ("FMI") dated August 23, 2023.

The Debentures are compound financial instruments. On initial recognition, the residual value method was used to allocate the fair value of the debt and equity components. The fair value of the liability was calculated as $84,296 using a discount rate of 14%. The total cost of issuance relating to this financing was $8,000. During the nine months ended December 31, 2024, the Company had recorded an interest and accretion expense of $8,276 (December 31, 2023 - $3,611) on the Debentures, which are included in interest and accretion on the statements of loss and comprehensive loss.

On March 15, 2024, the Company issued 300 debenture units, priced at $1,000 per unit, for proceeds of $300,000. Each unit is comprised of (i) $1,176 principal amount senior secured convertible debentures and (ii) 100,000 Warrants. Each debenture is secured by a general security agreement and ranks pari passu with one another. The debentures mature on either (i) September 15, 2025, or, (ii) September 15, 2024, if the Common Shares are not listed for trading on a recognized stock exchange on or before such date. At the maturity date, all the principal amount outstanding on the debentures will be repaid by the Company in cash. As at March 31, 2024, $134,180 of the proceeds were held in escrow and not recognized as proceeds until they were received, on June 03, 2024. During the nine months ended December 31, 2024, the Company had recorded an interest and accretion expense of $29,838 (December 31, 2023 - $nil), which are included in interest and accretion on the statements of loss and comprehensive loss.

The principal amount of each debenture is convertible into Common Shares at a conversion price of $0.044 per Common Share at the option of the holder at any time.

Each Warrant entitles the holder to acquire one Common Share at any time on or before the 36-month anniversary of the listing of the Resulting Issuer on the CSE, at an exercise price of $0.067 per Common Share.

The Debentures are compound financial instruments. On initial recognition, the residual value method was used to allocate the fair value of the debt and equity components. The fair value of the liability was calculated as $133,071 using a discount rate of 14%, while the equity component was $4,749. The total cost of issuance relating to this financing was $28,000.

On July 9, 2024, the Company received notice and converted $25,000 of the convertible debentures, through the issuance of 562,500 common shares, and $88,200 through the issuance of 1,984,500 common shares.

(Expressed in Canadian Dollars)

10. Share Capital

Authorized share capital

The Company is authorized to issue an unlimited number of Common Shares without par value.

Common shares issued and outstanding as at December 31, 2024 and March 31, 2024 are as follows (and as adjusted for by the Exchange Ratio of 0.225 (note 1)):

	Number of common shares	Amount
	#	$
Balance, March 31, 2023	**12,211,294**	**1,680,272**
Shares issued for private placement (a)(b)(c)	15,683,625	697,050
Shares issued for service (d)(e)(f)(g)(h)(k)(n)(p)(q)(r)(s)	5,434,963	422,175
Shares issued on former CEO Agreement (o)	450,000	20,000
Shares issued for bonus (i)(j)(m)	841,741	136,100
Shares issued on exercise of RSUs (o)	202,500	27,513
Shares issued for former CEO's salaries (l)	96,194	4,275
Balance, March 31, 2024	**34,920,317**	**2,987,385**
Shares issued on RTO (note 6)	49,217,408	2,187,440
Shares issued on conversion of debentures (note 9)	2,547,000	113,200
Shares issued for private placement (t)	5,625,000	250,000
Shares issued for success fee (u)	1,430,280	64,568
Balance, December 31, 2024	**93,740,005**	**5,602,593**

Non brokered private placements transactions for the year ended March 31, 2024

(a) On June 8, 2023, the Company closed a non-brokered private placement (the "Tranche 1, 2023") through the issuance of 10,137,375 Common Shares at a price of $0.044 per Common Share, for gross proceeds of $450,550. $77,310 was received in cash, and the remaining gross proceeds in the amount of $373,240 was the result of the conversion of Notes from various parties that had all previously advanced cash consideration in the form of such Notes. In connection with Tranche 1, 2023, 810,990 broker unit purchase Warrants and cash commission in the amount of $36,044, due as compensation to the agent, were waived by the agent as per the fee waiver agreement between the Company and FMI dated June 8, 2023.

(b) On July 4, 2023, the Company closed a non-brokered private placement (the "Tranche 2, 2023") through the issuance of 2,002,500 Common Shares at a price of $0.044 per Common Share, for gross proceeds of $89,000. $79,000 was received in cash, and the remaining gross proceeds in the amount of $10,000 were conversion of debt from Black Oak Ventures Inc. ("Black Oak") Black Oak. In connection with Tranche 2, 2023, 160,200 broker unit purchase warrants and cash commission in the amount of $7,120, due as compensation to the agent, were waived by the agent as per the fee waiver agreement between the Company and FMI dated July 4, 2023.

(c) On November 16, 2023, the Company closed a non-brokered private placement (the "Tranche 3, 2023") through the issuance of 3,543,750 Common Shares at a price of $0.044 per Common Share, for gross proceeds of $157,500. In connection with Tranche 3, 2023 Offering, 283,500 broker unit purchase Warrants and cash commission in the amount of $12,600, due as compensation to the agent, were waived by the agent as per the fee waiver agreement between the Company and FMI dated November 16, 2023.

10. Share Capital (continued)

Other Issuances of Common Shares and Convertible Securities

(d) On April 18, 2023, the Company settled an amount of $14,280 comprised of certain outstanding fees for services provided by a vendor through the issuance of 64,260 Common Shares. The shares had a fair market value of $11,024 on the date of issuance resulting in a gain on settlement of $3,256.

(e) On May 22, 2023, the Company settled an amount of $12,770 comprised of certain outstanding fees for services provided by a vendor through the issuance of 57,465 Common Shares. The shares had a fair market value of $9,859 on the date of issuance resulting in a gain on settlement of $2,911.

(f) On May 22, 2023, the Company settled an amount of $5,664 comprised of certain outstanding fees for services provided by a vendor (where one of the directors of the Company is also a director) through the issuance of 25,487 Common Shares. The shares had a fair market value of $4,373 on the date of issuance resulting in a gain on settlement of $1,291.

(g) On May 22, 2023, the Company settled an amount of $29,711 comprised of certain outstanding fees for services provided by FMI Capital Advisory Inc. ("FMICAI"), an entity where the Executive Chairman of the Company is also the Chairman, through the issuance of 668,500 Common Shares. The shares had a fair market value of $114,685 on the date of issuance resulting in a loss on settlement of $84,974.

(h) On May 22, 2023, the Company settled an amount of $27,200 ($23,600 to FMICAI, and $3,600 to a corporation owned by a former officer of the Company) comprised of certain outstanding fees for services provided by these vendors through the issuance of 612,000 Common Shares. The shares had a fair market value of $104,991 per Common Share, resulting in a loss on settlement on $77,791.

(i) On May 22, 2023, the Company settled an amount of $133,000 with respect to a management bonus for a certain former executive of the Company through the issuance of 598,500 Common Shares. The shares had a fair market value of $102,676 on the date of issuance resulting in a gain on settlement of $30,324.

(j) On May 22, 2023, the Company issued 171,161 Common Shares to certain Note holders of the Company as bonus shares for bridging the financial needs of the Company. The shares had a fair market value of $29,363 on the date of issuance resulting in a loss on settlement of $21,756.

(k) On June 9, 2023, the Company settled an amount of $100,000 comprised of certain outstanding fees for services provided by FMICAI through the issuance of 2,250,000 Common Shares at a deemed issue price of $0.044 per Common Share.

(l) On June 9, 2023, the Company issued 96,195 Common Shares to the former CEO, in connection with temporary salary reduction as bonus shares for bridging the financial needs of the Company, to settle an amount of $14,251. The shares had a fair market value of $4,276 on the date of issuance resulting in a loss on settlement of $9,975.

(m) On June 9, 2023, the Company issued 72,080 bonus shares to certain former executives in connection with bridging the Company's financial needs at a deemed issue price of $0.044 per Common Share.

(n) On June 9, 2023, the Company settled an amount of $10,000 comprised of certain outstanding fees for services provided by the former CFO through the issuance of 2,250,000 Common Share at a deemed issue price of $0.044 per Common Share.

10. Share Capital (continued)

Other Issuances of Common Shares

(o) On October 13, 2023, pursuant to a voluntary separation agreement between the Company and its previous CEO, the Company issued 450,000 Common Shares to the previous CEO at a deemed issue price of $0.044 per Common Share for an aggregate value of $20,000. These Common Shares are subject to escrow, whereby 25% were immediately released, and the remaining Common Shares will be released in quarters (25%) every four months after the earlier of: (a) the anniversary of the CEO Agreement; (b) the date the Common Shares, or shares of any parent company of Xemoto, list on a recognized stock exchange in Canada or the United States of America. The CEO's 202,500 restricted share units of the Company ("RSUs") were completely vested and converted to Common Shares as part of the CEO Agreement.

(p) On October 23, 2023, the Company settled an amount of $4,000 comprised of certain outstanding fees for services provided by a vendor through the issuance of 90,000 Common Shares at a deemed issue price of $0.044 per Common Share.

(q) On November 29, 2023, the Company settled an amount of $17,100 comprised of certain outstanding fees for services provided by a vendor through the issuance of 384,750 Common Shares at a deemed issue price of $0.044 per Common Share.

(r) On November 29, 2023, the Company settled an amount of $7,000 comprised of certain outstanding fees for services provided by a vendor through the issuance of 157,500 Common Shares at a deemed issue price of $0.044 per Common Share.

(s) On January 12, 2024, the Company issued 900,000 common shares to settle an amount of $40,000 of fees for services provided by four directors for services provided outside their normal scope of compensation during the period of transition to new management.

Share capital transactions for the nine months ended December 31, 2024

(t) On June 26, 2024, the Company completed a private placement financing for proceeds of $250,000 through the issuance of 5,625,000 common shares. $54,900 was received in cash, and of the remaining gross, $22,200 was the result of the conversion of Notes from various parties that had all previously advanced cash consideration in the form of such Notes, and the balance of $172,900 was the results of conversion of accounts payable.

(u) In connection with the COB Transaction, the Company issued a stock success fee through the issuance of 1,430,280 common shares. On the date of issuance, the shares had a fair value of $64,568. See note 13.

11. Reserve for Share-Based Payments

Effective April 16, 2024, the Company adopted a new Omnibus Long-Term Incentive Plan (the "Omnibus Plan") under which it is authorized to allow different types of incentives to be granted to certain officers, directors, employees, and consultants of the Company. The Omnibus Plan allow for the granting of options and restricted share units ("RSUs") up to 10% of the issued and outstanding common shares of the Company. The options granted can be exercised for a maximum of ten (10) years and vest as determined at the discretion of the Board of the Company.

Under the Option Plan, the exercise price of each option may not be less than the discounted fair market value of the common shares on the date of grant.

(Expressed in Canadian Dollars)

11. Reserve for Share-Based Payments (continued)

The following table provides the details of changes in the number of issued common share purchase options during the periods:

	Options	Weighted-average exercise price $
Outstanding at March 31, 2023	1,012,500	0.22
Granted	3,372,750	0.08
Cancelled/Expired	(427,500)	0.22
Outstanding at March 31, 2024	3,957,750	0.09
Granted	3,140,000	0.05 - 0.09
Granted – RTO (Note 6)	2,850,000	0.09
Cancelled/Expired	(1,397,500)	0.22 – 0.30
Outstanding at December 31, 2024	8,550,250	0.08
Exercisable at December 31, 2024	6,079,417	0.06

Options transactions for the year ended March 31, 2024

(a) On October 13, 2023, the Company granted 1,125,000 stock options to an executive. 1/3 of the options will have an exercise price of $0.09 per Common Share, 1/3 of the options will have an exercise price of $0.16 per Common Share and 1/3 of the options have an exercise price of $0.18 per Common Shares. The options vest 1/4 on April 13, 2024, 1/4 on October 13, 2024, 1/4 on April 13, 2025 and final 1/4 vest on October 13, 2025 until all options are fully vested. The options were valued using Black-Scholes with the following assumptions: expected volatility of 98% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 4.21% and an expected life of five years. The grant date fair value attributable to these options was $29,575, of which $17,440 was recorded as share-based compensation in connection with the vesting of these options during the year ended March 31, 2024 and $10,448 was recorded as share-based compensation in connection with the vesting of these options during the nine months ended December 31, 2024.

(b) On January 14, 2024, the Company granted 2,247,750 stock options to directors (1,669,500), officers (128,250) and employees (450,000). The options have an exercise price of $0.05 and expire 5 years from the date of grant. 900,000 of the options vested on the date of grant, 897,750 of the options vest one year from the date of grant, and 450,000 of the options, vest 1/3 on grant, 1/3 January 14, 2025, and 1/3 January 14, 2026. The options were valued using Black-Scholes with the following assumptions: expected volatility of 98% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.28% and an expected life of five years. The grant date fair value attributable to these options was $73,371, of which $40,382 was recorded as share-based compensation in connection with the vesting of these options during the year ended March 31, 2024 and $27,487 was recorded as share-based compensation in connection with the vesting of these options during the nine months ended December 31, 2024.

Options transactions for the nine months ended December 31, 2024

(c) On April 4, 2024, the Company granted 1,125,000 stock options to an officer of the Company. These options have the following exercise prices: 375,000 at $0.09 per share; 375,000 at $0.16 per share; and 375,000 at $0.18 per share. These options vest as follows: 112,500 vested immediately and 112,500 vest every 12 months thereafter until fully vested. These options expire on April 4, 2029. The options were valued using Black-Scholes with the following assumptions: expected volatility of 98% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.66% and an expected life of five years. The grant date fair value attributable to these options was $29,236, of which $16,811 was recorded as share-based compensation in connection with the vesting of these options during the nine months ended December 31, 2024.

(Expressed in Canadian Dollars)

11. Reserve for Share-Based Payments (continued)

(d) On April 26, 2024, the Company granted 225,000 stock options to directors and 90,000 options to consultants of the Company. These options are exercisable at $0.05 per share, vested on the date of grant, and expire April 26, 2029. The options were valued using Black-Scholes with the following assumptions: expected volatility of 98% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.66% and an expected life of five years. The grant date fair value attributable to these options was $10,282, of which $10,282 was recorded as share-based compensation in connection with the vesting of these options during the nine months ended December 31, 2024.

(e) On April 26, 2024, the Company granted 1,000,000 stock options to consultants of the Company. These options are exercisable at $0.05 per share and expire April 26, 2029. One-third of the options vested April 26, 2024; one-third of the options vest October 26, 2024; and the remaining one-third of the options vest April 26, 2025. The options were valued using Black-Scholes with the following assumptions: expected volatility of 98% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.66% and an expected life of five years. The grant date fair value attributable to these options was $32,642, of which $29,922 was recorded as share-based compensation in connection with the vesting of these options during the nine months ended December 31, 2024.

(f) On July 11, 2024, the Company granted 700,000 stock options to consultants of the Company. These options are exercisable at $0.05 per share and expire July 10, 2026. One-third of the options vested October 26, 2024; one-third of the options vest January 11, 2025; and the remaining one-third of the options vest July 11, 2025. The options were valued using Black-Scholes with the following assumptions: expected volatility of 98.33% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.85% and an expected life of two years. The grant date fair value attributable to these options was $13,368, of which $10,177 was recorded as share-based compensation in connection with the vesting of these options during the nine months ended December 31, 2024.

The following table summarizes information of stock options outstanding and exercisable as at December 31, 2024:

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
150,000	150,000	0.64 years	$0.10	August 22, 2025
700,000	175,000	1.53 years	$0.05	July 10, 2026
270,000	270,000	1.71 years	$0.08	September 14, 2026
2,000,000	2,000,000	2.09 years	$0.05	February 4, 2027
128,250	128,250	3.78 years	$0.05	October 13, 2028
375,000	375,000	3.78 years	$0.09	October 13, 2028
375,000	-	3.78 years	$0.16	October 13, 2028
375,000	281,250	3.78 years	$0.18	October 13, 2028
1,365,750	1,065,750	4.03 years	$0.05	January 12, 2029
375,000	281,250	4.33 years	$0.09	April 26, 2029
375,000	-	4.33 years	$0.16	April 26, 2029
375,000	-	4.33 years	$0.18	April 26, 2029
1,686,250	1,352,917	4.33 years	$0.05	April 26, 2029
8,550,250	6,079,417			

Restricted share units ("RSUs")

On November 1, 2021, the Company granted 202,500 RSUs to an officer, which vest in quarters: one-quarter (1/4) on each anniversary of grant starting on November 1, 2022. Share-based compensation of $14,671 (March 31, 2022 – $7,511) in connection with the vesting of these RSUs was recorded during the year ended March 31, 2023. These RSUs were exercised on October 13, 2023 (see Note 10(n)).

(Expressed in Canadian Dollars)

11. Reserve for Share-Based Payments (continued)

On May 22, 2023, the Company granted 315,000 RSU to directors and officers of which 110,250 vest on the first anniversary of grant and 102,375 are vested on the second and third anniversaries of grant. Share-based compensation of $13,701 (December 31, 2023 - $12,016) in connection with the vesting of RSUs was recorded during the nine months ended December 31, 2024.

The following summarizes the RSU activities for the nine months ended December 31, 2024, and the year ended March 31, 2024:

	December 31, 2024		March 31, 2024	
	Number of RSUs	**Weighted average exercise price (1)**	Number of RSUs	Weighted average exercise price (1)
	#	**$**	#	$
Outstanding, beginning of period	**315,000**	**0.04**	202,500	0.22
Granted	**-**	**-**	315,000	0.04
Exercised	**-**	**-**	(202,500)	0.22
Outstanding, end of period	**315,000**	**0.04**	315,000	0.04

The following table summarizes information of RSUs outstanding and exercisable as at December 31, 2024:

Date of expiry	**Number of RSUs outstanding**	**Number of RSUs exercisable**	**Weighted average remaining contractual life**
	#	**#**	**Years**
May 22, 2026	315,000	-	1.39

12. Reserve for Warrants

The following summarizes the Warrant activity for the nine months ended December 31, 2024 and the year ended March 31, 2024:

	December 31, 2024		March 31, 2024	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**13,071,898**	**0.28**	6,321,898	0.48
Issued with convertible debenture (note 9)	-	-	6,750,000	0.07
Outstanding, end of period	**13,071,898**	**0.28**	13,071,898	0.28

(Expressed in Canadian Dollars)

12. Reserve for Warrants (continued)

The following table summarizes information of Warrants outstanding as at December 31, 2024:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining contractual life
	#	$	Years
February 17, 2027	2,714,354	0.53	2.13
February 18, 2027	1,602,000	0.53	2.13
February 18, 2027	256,320	0.22	2.13
March 15, 2027	6,750,000	0.07	2.21
March 18, 2027	208,125	0.53	2.22
March 18, 2027	33,300	0.53	2.22
June 8, 2027	128,099	0.53	2.44
July 11, 2027	1,057,500	0.53	2.53
July 11, 2027	169,200	0.22	2.53
January 12, 2028	135,000	0.53	3.03
January 12, 2028	18,000	0.22	3.03
	13,071,898	**0.28**	**2.47**

Warrants transactions for the year ended March 31, 2024

See note 9 convertible debentures.

There were no warrants transactions for the nine months ended December 31, 2024

13. Related Party Transactions

In accordance with IAS 24, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the compensation committee. The remuneration of directors and other members of key management personnel during the three and nine-month periods ended December 31, 2024 and 2023 were as follows:

	Three months ended December 31,		**Nine months ended December 31,**	
	2024	2023	**2024**	2023
Salaries and consulting fees	**$ 70,000**	$ 177,962	**$ 210,000**	$ 272,962
Director fees	**107,231**	-	**107,231**	-
Professional fees	**154,087**	135,527	**824,946**	323,347
Share-based compensation	**16,457**	20,990	**66,368**	49,201
	$ 347,775	$ 334,479	**$ 1,208,545**	$ 645,510

Salaries and consulting fees

(a) Remuneration of key management personnel of the Company for the nine months ended December 31, 2024 included $105,000 to the Chief Executive Officer (December 31, 2023 – $142,500) for the former Chief Executive Officer. As of December 31, 2024, $nil (March 31, 2024 – $8,750) is owed to the CEO and $nil (March 31, 2024 – $31,667) is due to the former CEO and is included in accounts payable and accrued liabilities. The amounts outstanding are unsecured, non-interest bearing and due on demand. On September 12, 2022, the former CEO of the Company advanced the Company $40,000 and the Company issued Notes bearing interest at 8% per year compounded annually and payable on demand (see Note 7). The Note was repaid during of the second quarter.

13. Related Party Transactions (continued)

(b) Remuneration of key management personnel of the Company for the nine months ended December 31, 2024, included $105,000 relatively to the Chief Revenue Officer (December 31, 2023 – $nil). As of December 31, 2024, $nil (March 31, 2024 – $nil) is owing to the CRO.

Professional fees

(c) For the nine months ended December 31, 2024, FMI Capital Advisory Inc. (“FMICAI”), an entity where the Executive Chairman and a director of the Company is also the Chairman, charged fees of $333,668 (December 31, 2023 – $45,000), for financial advisory and other services provided to the Company. As at December 31, 2024, $103,329 (March 31, 2024 – $204,729) owing to FMICAI was included in accounts payable and accrued liabilities. The FMICAI fees includes all renumeration paid by the Company to the Executive Chairman for his services to the Company. The amount outstanding is unsecured, non-interest bearing and due on demand. FMICAI also received a stock success fee of 1,430,280 common shares and a cash success fee of $150,000 for completing the COB Transaction.

(d) For the nine months ended December 31, 2024, CFO Advantage Inc., a Company owned by the Chief Financial Officer of the Company, charged fees of $27,000 (December 31, 2023 - $nil). As at December 31, 2024, $3,000 owing was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

(e) For the nine months ended December 31, 2024, Fogler, Rubinoff LLP (“Fogler”), an entity where the same director is of counsel, charged fees of $436,778 (December 31, 2023 – $157,222), for legal services provided to the Company. As at December 31, 2024, $414,780 (March 31, 2024 – $249,782) owing to Fogler was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

(f) For the nine months ended December 31, 2024, Branson Corporate Services Ltd. (“Branson”), an entity where the former Chief Financial Officer (“CFO”) of the Company was employed, charged fees of $nil (December 31, 2023 – $75,500), for providing CFO services to the Company, as well as other accounting and administrative services.

(g) On January 1, 2023, the Company and 2763168 Ontario Inc. (“2763168 Ontario”), an entity where the former Chief Financial Officer of the Company is the principal, entered into a consulting agreement, for a monthly remuneration of $5,000 in consideration of the former Chief Financial Officer. During the nine months ended December 31, 2024, the former Chief Financial Officer charged fees of $7,500 (December 31, 2023 – $51,250). As at December 31, 2024, $nil (March 31, 2024 – $4,125) owing to 2763168 Ontario Inc. was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

(h) On October 23, 2023, the Company and 2041423 Ontario Limited (“2041423 Ontario”), an entity where a director of the Company is the principal, entered into a consulting agreement for a monthly remuneration of $5,000. During the nine months ended December 31, 2024, 2041423 Ontario charged fees of $20,000. As at December 31, 2024 $nil (March 31, 2024, $16,950) was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Share based compensation

(i) For the nine months ended December 31, 2024, the total fair value recorded (for related parties) for options and RSUs vested was $66,368 (December 31, 2023 – $49,201).

Other related party transactions

(j) As at December 31, 2024, $26,460 (March 31, 2024 – $26,460) was due from Unite Communications. ("Unite"), an entity where one of the directors of the Company is also a director was included in accounts receivable, from previously recorded sales revenue.

13. Related Party Transactions (continued)

(k) See note 7 for related party transaction of Notes to certain executives and directors.

(l) As at December 31, 2024, $688,779 (March 31, 2024 - $635,533) was due to related parties and included in accounts payable and accrued liabilities.

(m) See also Note 10 for Common Shares issued for related parties.

14. Capital Management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern and to maintain optimal returns to shareholders and benefits for its stakeholders. Management monitors its capital structure and adjusts according to market conditions to meet its objectives given the current outlook of the business and industry in general. The Board does not establish quantitative return on capital criteria for management, but relies on the expertise of the management team to sustain the future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the nine months ended December 31, 2024.

The Company is not subject to any externally imposed capital requirements.

15. Financial Risks

The Company is exposed to various risks as it relates to financial instruments. Management, in conjunction with the Board, mitigates these risks by assessing, monitoring and approving the Company's risk management process. There have not been any changes in the nature of these risks or the process of managing these risks from the previous reporting periods.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, and accounts receivable (excluding sales tax recoverable), which expose the Company to credit risk should the debtor default. Cash is held with a reputable Canadian chartered bank and in trust with the Company's legal counsel, which is closely monitored by management. Management believes that the credit risk concentration with respect to cash, and accounts receivable (excluding sales tax recoverable) is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company's liquidity and operating results may be further adversely affected due to the early-stage nature of the business and risks during times of both high inflation and economic slowdown. The Company generates cash flow primarily from its financing activities. The Company endeavors to have sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted.

As at December 31, 2024, the Company had a cash balance of $138,737 (March 31, 2024 – $93,861) to settle current liabilities of $1,272,727 (March 31, 2024 – $1,721,342).

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows for a rolling period of 12 months to identify financial requirements. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments, or other means of funding, for short or long-term financing of its operations.

15. Financial Risks (continued)

Currently there is insufficient capital to meet short-term business obligations, after taking into account cash flow requirements from operations, and the Company's cash position as at December 31, 2024. The Company is currently experiencing a significant liquidity shortfall and does not anticipate material cash flows from its products and services in the near term. The Company is actively pursuing financing options and exploring opportunities to increase revenue. However, there is no assurance that these efforts will be successful, or that financing or revenue growth will be sufficient to achieve positive cash flow, meet timelines, or be available on acceptable terms, if at all. Failure to secure financing or improve liquidity may impair the Company's ability to fund ongoing operations and cover corporate administrative costs.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2024, the Company had no financial instruments which are variable interest-bearing, and had no hedging agreements in place with respect to floating interest rates. Management believes that the interest rate risk concentration with respect to financial instruments is minimal.

Foreign exchange risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company's operations are based in Canada, but has transactions denominated in foreign currencies. The Company's primary exposure to foreign exchange risk is that transactions denominated in foreign currency (primarily the United States Dollar), and balances held in United States dollars, expose the Company to the risk of exchange rate fluctuations. The Company does not used derivative instruments to reduce its exposure to the foreign currency, but, based on its current level of transaction and balances, management believes that the foreign exchange risk remains minimal.

Fair value

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable (excluding sales tax recoverable), and accounts payable and accrued liabilities. The fair value of cash and cash equivalents, accounts receivable (excluding sales tax recoverable), and accounts payable and accrued liabilities are approximately equal to their carrying value due to their short-term nature.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2024, the Company did not have any financial instruments which were carried at fair value (March 31, 2024 – $nil).

(Expressed in Canadian Dollars)

16. Interest expense

	Three months ended December 31,		Nine months ended December 31,	
	2024	2023	**2024**	2023
	$	$	**$**	$
Interest and accretion on convertible debentures (note 9)	**13,462**	2,568	**38,114**	3,611
Interest on BDC loan (note 8)	**6,656**	8,221	**21,991**	18,006
Interest on Notes payable (note 7)	**182**	1,352	**6,428**	8,577
Other	**1,828**	-	**5,373**	-
	22,128	12,141	**71,906**	30,194

17. Entity-wide disclosure

Revenues from one customer represent approximately $123,102 of the Company's total revenues.

18. Subsequent Events

On January 7, 2025, the Company received notice of conversion and subsequently converted $50,000 of its convertible debentures, issuing 1,125,000 common shares. On January 10, 2025, the Company received notice of an additional conversion, resulting in the conversion of $50,000 of convertible debentures and the issuance of an additional 1,125,000 common shares.

On February 12, 2025, 45,000 stock options at $0.05 and 112,500 stock options at $0.08 expired unexercised.

On February 24, 2025, closed the first tranche (the "First Tranche") of a non-brokered private placement of units (the "Offering"). In connection with the First Tranche of the Offering, the Company raised gross proceeds of $1,069,263 from the issuance of 42,770,520 units ("Units"). Each Unit was priced at $0.025 and is comprised of one common share (a "Common Share") and one Common Share purchase warrant (each a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share, at any time on or before February 21, 2028 (subject to acceleration) (the "Expiry Date") at a price of $0.10 (the "Warrant Exercise Price"). If the Company issues Common Share purchase warrants with an exercise price of less than $0.10 at any time prior to the Expiry Date, the exercise price of any unexercised Warrants as at the date of such issuance shall be automatically reduced to match the exercise price of the newly issued warrants. Furthermore, if the Common Shares trade at or above a volume-weighted average price of $0.20 for a period of 20 consecutive trading days, the Company will have the right to accelerate the Expiry Date of all or part of the outstanding Warrants issued pursuant to the Offering to a date that is 30 days from the notice of such acceleration that is provided to holders of Warrants.

The Company engaged certain finders in connection with the First Tranche (the "Finders") and paid such Finders a cash commission of $28,400, which is 8% of the gross proceeds sold to purchasers introduced to the Company by such Finders. The Company also issued 1,136,000 warrants to the Finder(s), which is equal to 8% of the aggregate number of Units sold to purchasers introduced to the Company by such Finders (the "Broker Warrants"). Each Broker Warrant entitles the holder to purchase one Unit at a price of $0.025 at any time on or before February 21, 2027.