BRANDPILOT AI INC.
(formerly, Universal PropTech Inc.)

CSE FORM 2A
LISTING STATEMENT

June 28, 2024

This Listing Statement is intended to provide full, true and plain disclosure about the Resulting Issuer. It is not, and is not to be construed as, a prospectus. It has not been reviewed by a securities regulatory authority and no securities are being sold or qualified for distribution by the filing of this Listing Statement.

TABLE OF CONTENTS

NOTE TO READER

This Listing Statement has been prepared in connection with the Transaction between UPI, Xemoto and Subco (as defined herein). As such, the disclosure that follows relates to the business of the Resulting Issuer, whose common shares must be qualified for listing onto the CSE.

The information pertaining to the Resulting Issuer is presented on a post-Transaction basis and is reflective of the projected business, financial and share capital position of the Resulting Issuer, assuming completion of the Transaction. As the business of the Resulting Issuer will be the same as Xemoto, *Item 3 – Narrative Description of the Business* only includes information respecting the Resulting Issuer after the Transaction that is materially different from information provided elsewhere in the Listing Statement regarding Xemoto and UPI prior to the Closing of the Transaction.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Canadian Securities Exchange Form 2A *Listing Statement* ("**Listing Statement**") contains forward-looking statements and forward-looking information (collectively, "**forward-looking statements**") within the meaning of applicable Canadian and U.S. securities legislation. All statements, other than statements of historical fact, included herein, including, without limitation, statements with respect to the timing of future activities of the Resulting Issuer, the Resulting Issuer's anticipated business plans, financial and business prospects and financial outlooks are forward-looking statements that involve various risks and uncertainties and reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Although the Resulting Issuer believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: "believes", "expects", "anticipates", "intends", "estimates", "plans", "may", "should", "would", "will", "potential", "scheduled" or variations of such words and phrases and similar expressions, which, by their nature, refer to future events or results that may, could, would, might or will occur or be taken or achieved. In making the forward-looking statements in this Listing Statement and any documents incorporated by reference, the Resulting Issuer has applied several material assumptions, including without limitation:

- the expected receipt of all required approvals in connection with the Transaction;
- expectations as to future operations of the Resulting Issuer;
- the Resulting Issuer's expected operating costs, general and administrative expenses, costs of services and other costs and expenses;
- the Resulting Issuer's ability to meet current and future obligations and to generate revenue on a going-forward basis;
- the Resulting Issuer's ability to obtain services in a timely manner, or at all;
- the Resulting Issuer's ability to obtain financing on acceptable terms, or at all;
- the proposed executive officers and directors of the Resulting Issuer;
- expectations regarding future competitive conditions;
- the anticipated costs to complete the Transaction; and
- the impact of future regulatory action.

Forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Resulting Issuer to differ materially from any future results, performance, or achievements expressed or implied by the forward-looking information. Although the Resulting Issuer has attempted to identify important risks and factors that could cause actual actions, events, or results to differ materially from those described in forward-looking information, there may be other factors and risks that cause actions, events, or results not to be as anticipated, estimated, or intended.

The forward-looking statements contained herein, and the documents incorporated by reference herein, are expressly qualified by this cautionary statement. These factors should be considered carefully, and prospective or existing investors should not place undue reliance on any forward-looking information contained in them. Unless otherwise noted, the forward-looking statements contained in this Listing Statement speak only as of the date hereof, and, except as required by applicable law, the Resulting Issuer does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible to predict all such factors and to assess in advance the impact of each such factor on the business of the Resulting Issuer, or the extent to which any factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Additional risks and more information on the risks identified above are described in detail in this Listing Statement under *Risk Factors*.

GLOSSARY OF TERMS

The following words and terms used in this Listing Statement have the meanings set forth below:

"**$**" means Canadian dollars, unless otherwise indicated;

"**276 Agreement**" means the contractor agreement between Xemoto and 2763168 Ontario Inc., dated January 1, 2023, and as amended on August 1, 2023;

"**Ad Standards**" means the *Canadian Code of Advertising Standards*;

"**Affiliate**" has the meaning set out in the OBCA;

"**Amalco**" means the corporation resulting from the Amalgamation;

"**Amalgamation**" means the amalgamation of Xemoto and Subco pursuant to Section 174 of the OBCA, on the terms and conditions set forth in the Definitive Agreement, subject to any amendments or variations thereto made in accordance with either agreement;

"**Arm's Length Transaction**" means a transaction which is not a related party transaction as defined under applicable Securities Laws;

"**Associate**" has the meaning set out in the OBCA;

"**Audit Committee**" means the audit committee of the Resulting Issuer;

"**B2B**" means business to business;

"**B2C**" means business to consumer;

"**BDC Loan**" means the letter of offer between Xemoto and the Business Development Bank of Canada dated January 19, 2023;

"**Branson MSA**" means the management services agreement between Branson Corporate Services Ltd. and Xemoto dated May 1, 2021, and as amended on July 28, 2022;

"**Business Day**" means a day other than a Saturday, Sunday or statutory holiday in the Province of Ontario;

"**CBCA**" means the *Canada Business Corporations Act*;

"**CEO**" means chief executive officer;

"**CFO**" means chief financial officer;

"**Change of Business**" has the meaning ascribed to it in CSE Policy 8;

"**Change of Control**" means, for the purpose of a Fundamental Change, a transaction or series of transactions involving the issue or potential issue of that number of securities of a listed issuer that: (a) is equal to or greater than 100% of the number of equity securities of the listed issuer outstanding prior to the transaction or series of transactions (commonly referred to as a "reverse take-over"), or (b) results in new shareholders holding greater than 50% of the voting securities of the listed issuer, or (c) otherwise results in a change in voting control of the listed issuer or a substantial change of management or the board of the listed issuer;

"**Closing**" or "**Closing Date**" the means the closing of the Transaction;

"**Competition Act**" means the *Competition Act RSC 1985, c C-34*;

"**CSA**" means Canadian Securities Administrators;

"**CSE Policies**" means the rules, forms, and policies of the CSE as amended from time to time;

"**CSE Policy 8**" means the CSE Policy on fundamental changes and changes of business;

"**Definitive Agreement**" means the acquisition agreement between UPI, Xemoto and Subco dated February 6, 2024, setting forth the terms and conditions of the Transaction;

"**Escrow Agreement**" means the escrow agreement between 2674779 Ontario Limited, 2674775 Ontario Limited, 2838328 Ontario Limited, Randall Craig, Jeremy Goldman, 2222263 Ontario Inc., Adam Szweras, Daphne Hoffenberg-Szweras, Brian Presement, Jillian Bannister, Andres Tinajero, Brandon Mina, CFO Advantage Inc., the Resulting Issuer and TSX Trust Company, dated June 27, 2024;

"**Equity Financing**" means the Xemoto equity financing to raise gross proceeds of up to $250,000;

"**Exchange**" or "**CSE**" means the Canadian Securities Exchange;

"**executive officer**" means (i) the chair, (ii) the vice-chair, (iii) a vice-president in charge of a principal business unit, division or function, including sales, finance or production; (iv) an officer, including of a subsidiary, who performs a policy making functions; (v) or any other individual performing policy making functions of a company, including UPI, Xemoto or the Resulting Issuer;

"**Feb 2023 FMI Engagement**" means the letter of engagement between Xemoto and FMI Capital Advisory Inc. dated May 1, 2021 and as amended and restated on February 28, 2023.

"**Fundamental Change**" means a Major Acquisition (as defined in the CSE Policies) accompanied or preceded by a Change of Control, or a transaction or series of transactions determined to be such by the CSE;

"**FWA**" means fraud, waste and abuse;

"**Google Analytics**" means Google's web analytics service which tracks and reports website traffic and mobile app traffic & events;

"**Governmental Entity**" means any applicable: (i) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign. (ii) subdivision, agent, commission, board or authority of any of the foregoing. (iii) quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organization, exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, or (iv) stock exchange, including the CSE;

"**Harborside**" means Harborside Inc.;

"**ISBRG**" means ISBRG Corp.;

"**Jan 2023 FMI Engagement**" means the letter of engagement between Xemoto and Foundation Markets Inc. dated January 1, 2023;

"**KW**" means KW Capital Partners Limited;

"**KW Subscription Agreement**" means the subscription agreement between Xemoto and KW dated March 15, 2024;

"**laws**" means all laws, statutes, codes, ordinances, decrees, rules, regulations, bylaws, statutory rules, principles of law, published policies and guidelines, judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings or awards, general principles of common and civil law, and terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity, statutory body or self-regulatory authority, and the term "applicable" with respect to such Laws and in the context that refers to one or more persons, means that such Laws apply to such person or persons or its or their business, undertaking, property or securities and emanate from a Governmental Entity (or any other person) having jurisdiction over the aforesaid person or persons or its or their business, undertaking, property or securities;

"**LOI**" means the letter of intent dated September 18, 2023 and as amended and restated on October 31, 2023, November 30, 2023 and February 6, 2024, respectively, between UPI and Xemoto concerning the Transaction, which letter of intent has been superseded by the Definitive Agreement;

"**Mahdia**" means Mahdia Gold Corp.;

"**MD&A**" means management's discussion and analysis, as such term is defined in National Instrument 51-102 *Continuous Disclosure Obligations*;

"**Named Executive Officer**" or **"NEO**" means one of the (i) the CEO, (ii) the CFO, (iii) each of an issuer's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than $150,000, or (iv) any additional individuals for whom disclosure would have been provided under paragraph (i) above except that the individual was not serving as an executive officer of the issuer, nor in a similar capacity, as at the end of the most recently completed financial year end;

"**NI 52-110**" means National Instrument 52-110 *Audit Committees*;

"**Non-Arm's Length Party**" in relation to a company, a promoter, officer, director, other insider or control person of that company and any Associates or Affiliates of any of such persons, and in relation to an individual, means any Associate of the individual or any company of which the individual is a promoter, officer, director, insider or control person;

"**OBCA**" means the *Business Corporations Act* (Ontario);

"**person**" includes any natural person, partnership, limited partnership, joint venture, syndicate, sole proprietorship, body corporate with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative;

"**PIPEDA**" means the *Personal Information Protection and Electronic Documents Act*, SC 2000 c 5;

"**platform**" means Xemoto's proprietary software-as-a-service platform, Spectrum, which connects influencers and customers who wish to assemble and utilize a network of influencers to disseminate messaging;

"**Priority Agreement**" means the priority agreement between Xemoto, BDC and KW Capital Partners dated March 8, 2024;

"**Related Person**" shall have the meaning ascribed thereto in CSE Policy 1 – *Interpretation and General Provisions;*

"**Resulting Issuer**" means BrandPilot AI Inc., the continuing legal entity following the completion of the Transaction;

"**Resulting Issuer Board**" or "**Board**" means the board of directors of the Resulting Issuer;

"**Resulting Issuer Broker Warrants**" means the common share purchase broker warrants of the Resulting Issuer convertible into Resulting Issuer Shares at a price of $0.22 per Resulting Issuer Share;

"**Resulting Issuer Options**" means the options to purchase Resulting Issuer Shares in accordance with the limitations set out in the Resulting Issuer Plan;

"**Resulting Issuer Plan**" means the omnibus equity incentive plan of the Resulting Issuer, which was approved by shareholders of UPI at the annual general and special meeting held on May 31, 2024;

"**Resulting Issuer Shareholders**" means the shareholders of the Resulting Issuer;

"**Resulting Issuer Shares**" means the common shares of the Resulting Issuer including those issued in accordance with the Transaction;

"**Resulting Issuer RSUs**" means the restricted share units of the Resulting Issuer;

“**Resulting Issuer Warrants**” means the common share purchase warrants of the Resulting Issuer convertible into Resulting Issuer Shares at a price of $0.53 per Resulting Issuer Share;

“**Rigel**” means Rigel Technologies Inc. (formerly, Tele-find Technologies Inc.);

“**SEC**” means U.S. Securities and Exchange Commission;

“**Securities Laws**” means the *Securities Act* (Ontario) or equivalent legislation in those provinces, states, and countries which have or assume jurisdiction over the affairs of UPI, the Resulting Issuer and any party to the Transaction, and the applicable rules, regulations, rulings, orders, instruments and forms made or promulgated under such laws, as well as the rules, regulations, by-laws and policies of the Exchange;

“**SEDAR+**” means the System for Electronic Document Analysis and Retrieval being the official website that provides access to most public securities documents and information filed by issuers and investment funds with the Canadian Securities Administrators (CSA) in the SEDAR+ filing system at the website address of www.sedarplus.ca;

“**Share Exchange Ratio**” shall mean 0.225 of a UPI Share for each Xemoto Share;

“**Subco**” means 1000764922 Ontario Inc., a wholly-owned subsidiary of UPI incorporated under the OBCA for the purposes of completing the Transaction;

“**Transaction**” means the business combination between Xemoto, Subco and UPI whereby UPI will acquire the Xemoto Shares by way of a three-cornered amalgamation pursuant to the terms of the Definitive Agreement;

“**Transfer Agent**” means the Resulting Issuer’s transfer agent, the TSX Trust Company;

“**TSXV**” means the TSX Venture Exchange;

“**TSXV Policies**” means the rules, forms, and policies contained in the TSXV Corporate Finance Manual as amended from time to time;

“**UPI**” means BrandPilot AI Inc. (formerly, Universal PropTech Inc.), a corporation organized under the CBCA, and such term refers to Universal PropTech Inc. prior to the completion of the Transaction;

“**UPI Options**” means the 3,075,000 common share purchase options of UPI;

“**UPI Shareholders**” means the holders of UPI Shares;

“**UPI Shares**” means the common shares in the capital of UPI;

“**Vertical Peak**” means Vertical Peak Holdings Inc.;

“**VSA**” means the voluntary separation agreement between Xemoto and Virginia Brailey dated October 24, 2023;

“**Xemoto**” means Xemoto Media Ltd., a private company organized under the OBCA;

“**Xemoto Broker Warrants**” has the meaning ascribed thereto in section 8.1 hereof;

"**Xemoto 2023 Convertible Debentures**" means the 100 convertible debentures of Xemoto issued on August 23, 2023 and purchased at $1,000 per Xemoto 2023 Convertible Debenture. The Xemoto 2023 Convertible Debentures convert at a price of $0.025 per Xemoto Share after 36 months, unless the volume-weighted average price ("**VWAP**") of the Xemoto Shares on a recognized stock exchange equals or exceeds $0.075 per share for a period of 20 consecutive trading days, in which case the Xemoto 2023 Convertible Debentures automatically convert into Xemoto Shares at $0.075 per Xemoto Share;

"**Xemoto 2024 Convertible Debentures**" means the 300 senior secured convertible debentures of Xemoto issued as part of the private placement of convertible debenture units of Xemoto on March 15, 2024, and which mature on September 15, 2025 (unless the Resulting Issuer Shares are not listed on the Exchange by September 15, 2024, then maturity is accelerated to same). Each convertible debenture unit was purchased at a price of $1,000, and consisted of: (i) one senior secured $1,176 principal amount convertible debenture of Xemoto, which converts into Xemoto Shares at a price of $0.01 per Xemoto Share, and (ii) 100,000 Xemoto Warrants, each Xemoto Warrant entitling the holder thereof to acquire one Xemoto Share at an exercise price of $0.015 at any time up to 36 months from the listing of Xemoto on a recognized stock exchange in Canada. In the event that Xemoto prepays all Xemoto 2024 Convertible Debentures before the first anniversary of their issue date, Xemoto will be entitled to a 2.5% discount on the principal value of the Xemoto 2024 Convertible Debentures;

"**Xemoto Options**" means options to purchase Xemoto Shares in accordance with the terms of Xemoto's option plan;

"**Xemoto RSUs**" means the restricted share units of Xemoto;

"**Xemoto Shareholders**" means collectively, the shareholders of Xemoto;

"**Xemoto Shares**" means all of the common shares in the capital of Xemoto outstanding at the time of Closing;

"**Xemoto-UPI Debenture**" means the secured debenture of Xemoto in the principal amount of $250,000 in favour of UPI; and

"**Xemoto Warrants**" means the common share purchase warrants of Xemoto.

1. SUMMARY OF LISTING STATEMENT

The following is a summary of the principal features of this Listing Statement and should be read together with the more detailed information and financial data and statements contained elsewhere herein.

1.1 The Transaction

Xemoto issued to UPI the Xemoto-UPI Debenture on October 20, 2023, whereby UPI agreed to advance a loan of $250,000 to Xemoto, in accordance with the following terms and conditions:

(i) The maturity date of the Xemoto-UPI Debenture is the earlier of (a) the Closing of the Transaction, or (b) the termination of the Definitive Agreement in accordance with its terms;

(ii) The Xemoto-UPI Debenture will not bear any interest other than 15% per annum interest that for any overdue payments of the principal of the debenture; and

(iii) UPI was granted security pursuant to a general security agreement from Xemoto in favour of UPI, constituting a lien on all of the present and future property of Xemoto.

The Xemoto-UPI Debenture will be used for general corporate matters and business development. The full amount of the Xemoto-UPI Debenture has been funded by UPI and shall become an intercompany loan and accounted for accordingly on Closing.

On February 6, 2024, UPI, Xemoto, and Subco entered into the Definitive Agreement in order to consummate the Transaction, pursuant to which Xemoto will amalgamate with Subco, and UPI will acquire all of the issued and outstanding Xemoto Shares in exchange for UPI Shares on the basis of the Share Exchange Ratio.

Pursuant to the Definitive Agreement, on the Closing Date (i) holders of Xemoto Shares will receive 0.225 of a UPI Share for each Xemoto Share held; and (ii) all outstanding securities convertible into Xemoto Shares will be exchanged, based on the Share Exchange Ratio, for equivalent securities to purchase UPI Shares on substantially similar terms and conditions.

The Resulting Issuer will have approximately 91,193,005 Resulting Issuer Shares on an undiluted basis. The former shareholders of Xemoto will hold approximately 46.03% of the Resulting Issuer Shares; and the former shareholders of UPI will hold approximately 53.97% of the Resulting Issuer Shares, on an undiluted basis. On a pro forma basis, the Resulting Issuer is projected to have approximately $2 million in cash available.

Certain UPI Shares issued pursuant to the Transaction will be subject to restrictions on resale and/or escrow under the policies of the CSE, including the securities to be issued to principals, which are subject to the escrow requirements of the CSE. See Item 12 – *Escrowed Securities* for more information.

The Closing of the Transaction will be subject to a number of conditions, including, without limitation: approval of the Transaction by the boards of directors of UPI and Xemoto, completion of satisfactory results from due diligence investigations for each of the parties, receipt of all regulatory approvals with respect to the Transaction and the listing of the Resulting Issuer Shares on the CSE, and approval of the Transaction by the shareholders of Xemoto.

Upon completion of the Transaction, BrandPilot AI Inc. will become the Resulting Issuer, with Amalco being a wholly-owned subsidiary of the Resulting Issuer. The Transaction will constitute a Change of Business pursuant to the policies of the CSE.

The Transaction is not a non-Arm's Length Transaction and is not subject to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. There will be no Non-Arm's Length Parties of UPI that are insiders of Xemoto prior to the Closing of the Transaction.

UPI held an annual and special meeting of shareholders on May 31, 2024 to, among other things:

1. receive and consider the audited financial statements of UPI for the year ended August 31, 2023;
2. re-appoint the auditors of UPI for the ensuing year and authorize directors of UPI to determine the remuneration to be paid to the auditors;
3. elect directors to hold office until Closing;
4. fix the number of directors of the Resulting Issuer following Closing, at seven (7);
5. elect directors to serve on the Board following Closing;
6. change the name of UPI to BrandPilot AI Inc., following Closing;
7. receive shareholder approval of the Transaction;
8. delist from the NEX board of the TSXV and list on the CSE; and
9. approve the omnibus long term incentive plan of the Resulting Issuer.

Xemoto held an annual and special meeting of shareholders on June 7, 2024 to, among other things:

1. receive and consider the audited financial statements of Xemoto for the years ended March 31, 2023, 2022 and 2021;
2. re-appoint the auditors of Xemoto for the ensuing year and authorize directors of Xemoto to determine the remuneration to be paid to the auditors;
3. fix the number of directors to be elected at the annual general and special meeting of shareholders at seven;
4. elect directors to hold office until the earlier of Closing or the next annual meeting of shareholders;
5. reduce the stated capital of Xemoto by up to $6,000,000 in order to facilitate the Transaction; and
6. approve the Transaction.

For more information see Item 2.5 – *The Transaction*.

1.2 The principal business of the Resulting Issuer

The Resulting Issuer is a digital marketing technology company that owns and operates a digital platform which facilitates the connection of influencers and customers who wish to disseminate messaging. The platform enables customers to work efficiently to syndicate micro-influencers, coordinate messaging campaigns and payment, and through the influencers, develop proprietary content. The Resulting Issuer is a conduit for influencers to empower B2C and B2B clients, as well as investor relations, public relations and marketing agencies, to reach and engage with retail investors, consumers, and business customers on a grass-roots basis.

The Resulting Issuer is developing other proprietary technology solutions to facilitate digital marketing, support platforms for influencers, and various security and efficiency related tools.

For more detailed information see Item 3 – *Description of the Business*.

1.3 The securities to be distributed

The UPI Shares began trading on the TSXV on November 24, 2008. The UPI Shares continued trading on the TSXV until halted upon the announcement of the LOI in accordance with the TSXV's policies on

September 18, 2023. The closing trading price of the UPI Shares on the TSXV on September 18, 2023 (the last trading day before trading was halted) was $0.03.

Following completion of the Transaction, the Resulting Issuer Shares will be listed for trading on the CSE under the symbol "BPLT".

1.4 The use of proceeds

As at May 31, 2024 the Resulting Issuer is projected to have a working capital of $1,134,782.

The Resulting Issuer is expected to use the funds available to it in furtherance of its stated business objectives. The following table shows the foreseeable available funds and the principal purposes for which the available funds will be used by the Resulting Issuer, based on currently available information:

Description of Funds	Amount ($)
Estimated Working Capital of Xemoto at Closing	(1,131,426) (1)
Estimated Working Capital of UPI at Closing	2,366,208
Less expenses and costs of the Transaction	(100,000)
Total Funds	**1,134,782**

Notes:
(1) This figure includes the Equity Financing of $250,000.

Use of Proceeds	Funds to be Expended
Cost of Completing the Listing on the Exchange	$100,000
Public Company Costs	$288,000 (3)
Core Business Operations, Development and Growth (1)	$538,268
Business Objectives and Milestones (4)	$100,000
Surplus (Contingency) (2)	$108,514
Total	**$1,134,782**

Notes:
(1) This includes annual management compensation and the monthly cash that Xemoto spends before generating income, less the public company costs cited herein. This figure assumes an average monthly revenue of $43,000 with a gross margin of 50%.
(2) Xemoto may allocate some of these funds to investor relations activities, but no decisions have been made in this respect as at the date of this Listing Statement.
(3) This is made up of the following annual fees: transfer agent and filing fee ($12,000); marketing/investor relations/news related fees ($60,000); auditor fees ($50,000); stock exchange fees ($12,000); shareholder annual general meeting fees ($20,000); legal fees ($74,000); and directors and officer's insurance fees ($60,000).
(4) Please see Item 4.7 – *Business Objectives and Milestones* for more information.

For information concerning the use of proceeds, see Item 4 – *Use of Proceeds.*

1.5 Risk Factors

The Resulting Issuer's business, being a marketing technology company, is subject to numerous securities regulations and stock exchange policies. This involves a high degree of risk. The risk factors listed below could materially affect the Resulting Issuer's financial condition and/or future operating results and could cause actual events to differ materially from those described in forward-looking statements made by or relating to the Resulting Issuer. Such risks include, but are not limited to: (i) regulatory compliance and approval risk; (ii) risk of decline in UPI's common share market price; (iii) Transaction related costs for the parties; (iv) potential impacts of transaction non-completion on UPI's operations; (v) verification limitations regarding Xemoto and Resulting Issuer information in the Listing Statement; (vi) potential for Xemoto to require additional financing before Closing; (vii) dependency on influencer market and current offerings; (viii) risks of technological obsolescence and necessity for innovation for the Resulting Issuer; (ix) market acceptance and its crucial role in the Resulting Issuer's visibility; (x) limitations and assumptions underpinning growth forecasts in the Listing Statement; (xi) uncertainty surrounding future capital requirements for the Resulting Issuer; (xii) competitive and technological challenges for the Resulting Issuer; (xiv) dependence on skilled personnel and associated risks for the Resulting Issuer; (xv) limitations of internal control over financial reporting; (xvi) implications of brand awareness challenges for the Resulting Issuer; (xvii) risks associated with realizing acquisition benefits for the Resulting Issuer; (xviii) security concerns related to the Resulting Issuer's cloud storage strategy; (xix) global economic conditions and their implications for the Resulting Issuer; (xx) implications of currency exchange rate fluctuations for the Resulting Issuer's financial performance; (xxi) regulatory dynamics and their potential impacts on the Resulting Issuer's business model; (xxii) Canadian market dynamics and the Resulting Issuer's business; (xxiii) significance and vulnerability of the Resulting Issuer's intellectual property rights; (xxiv) confidentiality concerns and implications for the Resulting Issuer's proprietary assets; (xxv) litigation risks and their potential impact on the Resulting Issuer's operations; (xxvi) implications and uncertainties stemming from the Transaction; (xxvii) uncertainties surrounding regulatory approval for the Transaction; (xxviii) challenges of enforcing civil liabilities under Canadian Securities Laws; (xxix) market implications of significant sales of Resulting Issuer Shares post lock-up; (xxx) operational and managerial implications of being a public entity for the Resulting Issuer; (xxxi) uncertainty surrounding the development of an active trading market for the Resulting Issuer Shares; (xxxii) implications of external research and reporting on the Resulting Issuer; and (xxxiii) dependency on social media algorithms.

For further information pertaining to the above-noted risk factors, see Item 18 – *Risk Factors*.

1.6 Financial information

<u>UPI</u>

The following table summarizes select financial information from UPI's audited financial statements for the financial years ended August 31, 2023, 2022 and 2021, and for the 6-month period ended February 28, 2024, is set out below and should be read in conjunction with the annual financial statements of UPI of such financial year as set out in Schedule "A" to this Listing Statement.

	Six Month Period Ended February (unaudited)	**For the Year/Period Ended August 31 (audited)**		
Operating Data	**2024**	**2023**	**2022**	**2021**
Total revenues	-	3,199,537	7,942,950	8,817,673
Cash	1,970,292	2,813,612	1,031,662	991,626

	Six Month Period Ended February (unaudited)	For the Year/Period Ended August 31 (audited)		
Operating Data	**2024**	**2023**	**2022**	**2021**
Total Liabilities	80,176	255,266	2,335,687	2,555,834
Total assets	2,885,029	3,343,270	5,503,606	6,127,137
Total shareholders' equity	2,804,853	3,088,004	3,167,919	3,571,303
Net comprehensive Income (Loss)	(283,151)	(79,915)	(619,152)	(1,090,377)

Copies of the audited financial statements for the periods listed above for UPI are available on UPI's SEDAR+ profile at www.sedarplus.ca.

Xemoto

A summary of selected financial information of Xemoto for the years-ended March 31, 2023, 2022 and 2021, and for the nine-month period ended December 31, 2023, is set out below and should be read in conjunction with the annual financial statements and the unaudited interim financial statements of Xemoto of such financial year as set out in Schedule "B" to this Listing Statement.

	Nine Month Period Ended December 31 (unaudited)	For the Year/Period Ended March 31 (audited)		
Operating Data	**2023**	**2023**	**2022**	**2021**
Total revenues	458,394	306,663	25,511	Nil
Cash	107,296	42,874	444,237	(86)
Total Liabilities	1,562,456	1,456,480	530,344	12,848
Total assets	210,537	123,681	569,244	Nil
Total shareholders' equity	(1,351,920)	(1,322,799)	38,900	(12,848)
Net comprehensive Income (Loss)	(1,321,862)	(1,993,519)	(2,539,032)	(12,878)

2. CORPORATE STRUCTURE

2.1 Corporate Name

The full corporate name of the Resulting Issuer is BrandPilot AI Inc. The Resulting Issuer has its registered and head office located at 77 King St. West, Suite 2905, P.O. Box 121, Toronto, Ontario, M5K 1H1, Canada.

2.2 Incorporation

UPI

UPI was originally incorporated under the name Bellair Ventures Inc. on October 8, 2008, pursuant to the provisions of the CBCA. By articles of amendment dated June 25, 2013, the name of Bellair Ventures Inc. was amended to "SustainCo Inc.". On November 25, 2020, the articles of UPI were further amended to change the name from "SustainCo Inc." to "Universal PropTech Inc."

UPI's registered and head office is located at 77 King St. West, Suite 2905, P.O. Box 121, Toronto, Ontario, M5K 1H1, Canada.

UPI has one wholly-owned subsidiary, Subco, which was incorporated under the OBCA in connection with the Transaction.

Following the completion of the Transaction, UPI will change its name to BrandPilot AI Inc. and carried on the business of Xemoto.

Xemoto

Xemoto, formerly known as Untappedlab Inc., was incorporated under the OBCA on July 6, 2020. On May 14, 2021, Xemoto filed articles of amendment, and changed its name to "Xemoto Media Ltd.". Xemoto's registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

Xemoto is not currently listed on any stock exchange.

Subco

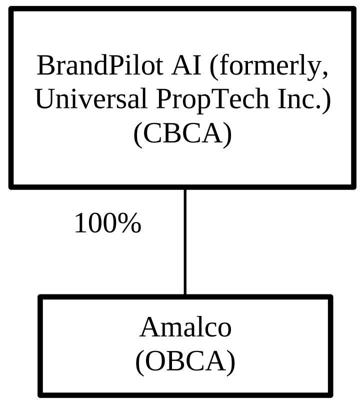
Subco was incorporated pursuant to the OBCA on January 11, 2024. The registered and head office of Subco is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada. Prior to the Transaction, Subco was a wholly-owned subsidiary of UPI.

Resulting Issuer

The Resulting Issuer will be formed upon completion of the Transaction.

2.3 Intercorporate Relationships

The corporate structure of the Resulting Issuer will be as follows:



2.4 Fundamental Change

The Transaction will constitute a "Fundamental Change" pursuant to CSE Policy 8, resulting in a new issuer (i.e., BrandPilot AI Inc.) whose securities must be requalified for listing on the CSE. For more information regarding the Transaction, please see Item 2.5 – *The Transaction*.

Fundamental Changes require both the approval of the majority of the minority of shareholders of UPI (which was obtained at the meeting of UPI Shareholders held on May 31, 2024) and the CSE (conditional approval obtained June 7, 2024). This Listing Statement is being filed in connection with the CSE's final approval for the Fundamental Change.

At Closing, UPI will acquire all the issued and outstanding shares of Xemoto Shareholders on the basis of the Share Exchange Ratio, such that former Xemoto Shareholders hold a 46.03% interest in the Resulting Issuer and former UPI Shareholders hold 53.97% of the Resulting Issuer Shares, on an undiluted basis.

In connection with the Transaction, the Resulting Issuer will also change its name to BrandPilot AI Inc.

In order for the Transaction to be completed, the following conditions precedent must be satisfied, or waived, as applicable:

Mutual Conditions

- **Approvals.** At the Closing, there shall have been obtained the written consents or approvals, in form and substance satisfactory to each of UPI, Subco and Xemoto, acting reasonably, of any governmental or regulatory agency or persons whose consent, waivers, forbearance or other approval to the transactions contemplated hereby is required (including pursuant to any contract), and all conditions imposed upon such consents, waivers, forbearance or other approvals shall have been satisfied, including without limitation, the TSXV and the CSE;

- **Listing of Securities**. The Resulting Issuer Shares, including the Resulting Issuer Shares issuable in connection with the Transaction, shall have been approved for listing and trading on the CSE;

- **No Prohibition at Law**. At the time of Closing, no prohibition at law against the completion of the transactions contemplated by the Definitive Agreement shall be in existence;

- **Closing**. Closing shall occur on or prior to February 29, 2024, unless Xemoto and UPI mutually agree in writing to a later date; and

- **Escrow**. Any person who will be a Resulting Issuer Shareholder which is required by the CSE to sign an escrow agreement in accordance with the policies of the CSE shall have signed and delivered such agreement.

UPI Conditions

The obligation of UPI to complete the transactions contemplated by this Agreement is subject to the fulfillment of each of the following conditions precedent, unless waived in writing by UPI:

- **Xemoto's Representations, Warranties and Covenants**. At Closing, Xemoto shall have executed, delivered and performed all covenants on its part to be performed hereunder and all representations and warranties contained in Section 3.1 of the Definitive Agreement shall be true and correct at Closing, with the same effect as if made on and as of such date, and a certificate to that effect signed by a duly authorized officer of Xemoto shall have been delivered to UPI as of Closing;

- **No Material Change**. At Closing, there shall not have been any material adverse change in the condition (financial or otherwise), of the assets, liabilities, capitalization, or business of Xemoto from that described in the Definitive Agreement and a certificate to that effect signed by a duly authorized officer of Xemoto shall have been delivered to UPI as at Closing;

- **Corporate Proceedings**. At Closing, all necessary steps and corporate proceedings shall have been taken by Xemoto, its board of directors and shareholders to permit the closing of the Amalgamation;

- **Inspection of Financial Books and Records**. Until and including Closing, Xemoto shall make available to UPI all material books, accounts, records and other financial and accounting data of Xemoto (including all available unaudited financial statements) in order to enable such representatives to make an examination of the same and shall cause the accountants of Xemoto to give all such material information concerning the affairs of same to such representatives as such representatives may reasonably request;

- **Inspection of Non-Financial Books and Records**. Until and including the time of Closing, Xemoto shall make available to UPI all documents, minute books and other corporate records and all documents of title and related records and other material data of Xemoto in order to enable UPI to make an examination of the same and without limiting the generality of the foregoing, including such technical and market information as UPI considers appropriate;

- **No Investigations**. At Closing, there shall be no inquiry or investigation (either formal or informal), in relation to Xemoto or any of its directors or officers, commenced or threatened by any officer or official of the TSXV, the CSE, any securities commission, or any similar regulatory body having jurisdiction such that the outcome of such inquiry or investigation could have a material adverse effect on Xemoto, UPI or the Resulting Issuer upon Closing;

- **Closing Documents**. Xemoto shall have executed and delivered to UPI all documents as UPI may reasonably request for the purposes of completing the Amalgamation in accordance with the terms of the Definitive Agreement; and

- **Corporate Records**: At Closing, the corporate records and minute book of Xemoto will be materially complete and accurate, including the share certificate books, registered of security holders, register of transfers and register of directors and any similar corporate records of Xemoto in all material respects.

Xemoto Conditions

The obligation of Xemoto to complete the transactions contemplated by the Definitive Agreement is subject to the fulfillment of each of the following conditions precedent, unless waived in writing by Xemoto:

- **UPI's Representations, Warranties and Covenants.** At the time of Closing, UPI shall have executed, delivered and performed all covenants on its part to be performed under the Definitive Agreement, and all representations and warranties contained in Section 4.1 of the Definitive Agreement shall be true and correct at Closing, with the same effect as if made on and as of such date, and a certificate to that effect signed by a duly authorized officer of UPI shall have been delivered to Xemoto as of Closing;

- **No Material Change**. At Closing, there shall not have been any material adverse change in the condition (financial or otherwise), of the assets, liabilities or capitalization of UPI from that described in the Definitive Agreement and a certificate to that effect signed by a duly authorized officer of UPI shall have been delivered to Xemoto as of Closing, except for a decrease in UPI's working capital position reasonably necessary to facilitate the transactions contemplated by the Definitive Agreement and to meet its customary obligations as a listed issuer on the applicable stock exchange, and as a "reporting issuer" in Ontario, Alberta, and British Columbia;

- **Corporate Proceedings**. At Closing, all necessary steps and corporate proceedings, as approved by Xemoto, shall have been taken to permit the Resulting Issuer Shares to be duly and regularly issued by the Resulting Issuer as contemplated in the Definitive Agreement;

- **Inspection of Financial Books and Records**. Until and including Closing, UPI shall make available to Xemoto all material books, accounts, records and other financial and accounting data of UPI and Subco (including all available unaudited financial statements) in order to enable such representatives to make an examination of the same and shall cause the accountants of UPI to give all such material information concerning the affairs of same to such representatives as such representatives may reasonably request;

- **Inspection of Non-Financial Books and Records**. Until and including Closing, UPI shall make available to Xemoto all UPI documents and Subco documents, minute books and other corporate records and all documents of title and related records and other material data of UPI and Subco in order to enable Xemoto to make an examination of the same;

- **No Investigations**. At Closing, there shall be no inquiry or investigation (either formal or informal), in relation to UPI, Amalco or any of their directors or officers, commenced or threatened by any officer or official of the TSXV, the CSE, any securities commission, or any similar regulatory body having jurisdiction such that the outcome of such inquiry or investigation could have a material adverse effect on UPI or Subco;

- **Closing Documents**. UPI and Subco shall have executed and delivered to Xemoto all documents as Xemoto may reasonably request for the purposes of completing the Amalgamation in accordance with the terms of the Definitive Agreement;

- **Corporate Records**: At Closing, the corporate records and minute book of UPI will be materially complete and accurate, including the share certificate books, registered of security holders, register of transfers and register of directors and any similar corporate records of UPI in all material respects;

- **Name Change**. UPI shall have filed articles of amendment implementing the name change to BrandPilot AI Inc.; and

- **Resignation and Appointment of Officers and Directors**. UPI shall have delivered resignations and releases executed by all current officers and directors of UPI to take effect on Closing.

A copy of the Definitive Agreement has been posted on UPI's SEDAR+ profile at www.sedarplus.ca. UPI and Xemoto are not Related Persons.

2.5 The Transaction

Xemoto and UPI entered into the Xemoto-UPI Debenture on October 20, 2023. See Item 1.1 for further details.

On February 6, 2024, UPI, Xemoto, and Subco entered into the Definitive Agreement in order to consummate the Transaction, pursuant to which Xemoto will amalgamate with Subco, and UPI will acquire all of the issued and outstanding Xemoto Shares in exchange for UPI Shares on the basis of the Share Exchange Ratio.

Currently, Xemoto's securities consist of: (i) 186,558,207 Xemoto Shares (25,000,000 of which are attributed to the Equity Financing which is to be completed prior to the Transaction and 6,356,798 of which are attributed to a stock success fee to FMI Capital Advisory Inc. equal to 5% of the number of Xemoto Shares issued immediately prior to the closing of the Transaction less 2,971,112 Xemoto Shares previously issued to FMI Capital Advisory Inc. for past services); (ii) common share purchase warrants to acquire 55,978,123 Xemoto Shares; (iii) stock options to acquire up to 25,834,444 Xemoto Shares; (iv) Xemoto RSUs issuable into an aggregate of 1,400,000 Xemoto Shares; (v) broker warrants to acquire up to 2,119,200 Xemoto Shares; and (vi) 400 convertible debentures of Xemoto (Please see Item 8 – *Description of the Securities* for more information).

Pursuant to the Definitive Agreement, (i) holders of Xemoto Shares will receive 0.225 of a UPI Share for each Xemoto Share held; and (ii) all outstanding securities convertible into Xemoto Shares will be exchanged, based on the Share Exchange Ratio, for equivalent securities to purchase UPI Shares on substantially similar terms and conditions. The Share Exchange Ratio was determined through arm's-length negotiations between UPI and Xemoto, incorporating Xemoto's most recent financings and business developments to achieve a mutually agreed upon valuation.

The Resulting Issuer will have approximately 91,193,005 Resulting Issuer Shares on an undiluted basis. The former shareholders of Xemoto will hold approximately 46.03% of the Resulting Issuer Shares; and the former shareholders of UPI will hold approximately 53.97% of the Resulting Issuer Shares, on an undiluted basis. On a pro forma basis, the Resulting Issuer is projected to have approximately $2 million in cash available.

Certain UPI Shares issued pursuant to the Transaction are subject to restrictions on resale and/or escrow under the policies of the CSE, including the securities to be issued to principals, which are subject to the escrow requirements of the CSE. See Item 12 – *Escrowed Securities* for more information.

The Closing of the Transaction will be subject to a number of conditions, including, without limitation: approval of the Transaction by the boards of directors of UPI and Xemoto, completion of satisfactory results from due diligence investigations for each of the parties, receipt of all regulatory approvals with respect to the Transaction and the listing of the Resulting Issuer Shares on the CSE, and approval of the Transaction by the shareholders of Xemoto.

Upon completion of the Transaction, BrandPilot AI Inc. will become the Resulting Issuer, with Amalco being a wholly owned subsidiary of the Resulting Issuer. The Transaction will constitute a Change of Business.

The Transaction is not a non-Arm's Length Transaction and is not subject to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. There will be no Non-Arm's Length Parties of UPI that are insiders of Xemoto, prior to the Transaction.

UPI held an annual and special meeting of shareholders on May 31, 2024 to, among other things:

1. receive and consider the audited financial statements of UPI for the year ended August 31, 2023;
2. re-appoint the auditors of UPI for the ensuing year and authorize directors of UPI to determine the remuneration to be paid to the auditors;
3. elect directors to hold office until Closing;
4. fix the number of directors of the Resulting Issuer following Closing, at seven (7);
5. elect directors to serve on the Board following Closing;
6. change the name of UPI to BrandPilot AI Inc., following Closing;
7. receive shareholder approval of the Transaction;
8. delist from the NEX board of the TSXV and list on the CSE; and
9. approve the omnibus long term incentive plan of the Resulting Issuer.

Xemoto held an annual and special meeting of shareholders on June 7, 2024 to, among other things:

1. receive and consider the audited financial statements of Xemoto for the years ended March 31, 2023, 2022 and 2021;
2. re-appoint the auditors of Xemoto for the ensuing year and authorize directors of Xemoto to determine the remuneration to be paid to the auditors;
3. fix the number of directors to be elected at the annual general and special meeting of shareholders at seven;
4. elect directors to hold office until the earlier of Closing or the next annual meeting of shareholders;
5. reduce the stated capital of Xemoto by up to $6,000,000 in order to facilitate the Transaction; and
6. approve the Transaction.

The UPI Shares are listed on the TSXV. Trading of the UPI Shares was halted upon the announcement of the LOI in accordance with the TSXV's policies on September 18, 2023. The closing trading price of the UPI Shares on the TSXV on September 18, 2023 (the last trading day before trading was halted) was $0.03.

Following completion of the Transaction, the Resulting Issuer Shares will be listed for trading on the CSE under the symbol "BPLT".

2.6 Financial information

UPI

The following table summarizes select financial information from UPI's audited financial statements for the financial years ended August 31, 2023, 2022 and 2021, and for the six-month period ended February 28, 2024, is set out below and should be read in conjunction with the annual financial statements of UPI of such financial year as set out in Schedule "A" to this Listing Statement.

	Six Month Period Ended February (unaudited)	**For the Year/Period Ended August 31 (audited)**		
Operating Data	**2024**	**2023**	**2022**	**2021**
Total revenues	-	3,199,537	7,942,950	8,817,673
Cash	1,970,292	2,813,612	1,031,662	991,626
Total Liabilities	80,176	255,266	2,335,687	2,555,834
Total assets	2,885,029	3,343,270	5,503,606	6,127,137
Total shareholders' equity	2,804,853	3,088,004	3,167,919	3,571,303
Net comprehensive Income (Loss)	(283,151)	(79,915)	(619,152)	(1,090,377)

Copies of the unaudited interim financial statements for the periods listed above for UPI are available on UPI's SEDAR+ profile at www.sedarplus.ca.

Xemoto

A summary of selected financial information of Xemoto for the years-ended March 31, 2023, 2022 and 2021, and for the nine-month period ended December 31, 2023, is set out below and should be read in conjunction with the annual financial statements and the unaudited interim financial statements of Xemoto of such financial year as set out in Schedule "B" to this Listing Statement.

	Nine Month Period Ended December 31 (unaudited)	**For the Year/Period Ended March 31 (audited)**		
Operating Data	**2023**	**2023**	**2022**	**2021**
Total revenues	458,394	306,663	25,511	Nil
Cash	107,296	42,874	444,237	(86)
Total Liabilities	1,562,456	1,456,480	530,344	12,848
Total assets	210,537	123,681	569,244	Nil

	Nine Month Period Ended December 31 (unaudited)	For the Year/Period Ended March 31 (audited)		
Operating Data	**2023**	**2023**	**2022**	**2021**
Total shareholders' equity	(1,351,920)	(1,322,799)	38,900	(12,848)
Net comprehensive Income (Loss)	(1,321,862)	(1,993,519)	(2,539,032)	(12,878)

2.7 Non-Corporate Issuers and Issuers Incorporated Outside Canada

Not applicable.

3. DESCRIPTION OF THE BUSINESS

Statements in the following sections concerning the future plans, objectives and milestones of the Resulting Issuer are "forward-looking information" and are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which is expressed or implied by such forward-looking statements. Please refer to "*Forward-Looking Statements*" in this Listing Statement.

3.1 Three-year history of UPI

UPI was incorporated under the CBCA, on August 22, 2008. Prior to the Transaction, UPI was a reporting issuer under applicable securities legislation in the provinces of British Columbia, Alberta and Ontario. The UPI Shares were most recently listed for trading on the NEX board of the TSXV under trading symbol UPI.H. UPI was also listed in the United States on the OTCQB Venture Market under the trading symbol "UPIPF", and in Germany on the Frankfurt Stock Exchange under the ticker symbol "8LH".

UPI is a building innovation company, selecting, integrating, deploying, and maintaining proptech technologies aiming to deliver customer-centric building solutions and services. UPI conducted its operations through its former wholly-owned subsidiary, VCI Controls Inc. ("**VCI**"). VCI is a supplier of building technologies and services that improve comfort, safety, energy efficiency, and occupant productivity, including the integration of all building systems utilizing the latest in communications technologies and standards. VCI's service offering is focused on delivering solutions in digital controls, mechanical services, performance monitoring, and energy efficiency solutions.

UPI also developed cloud-based and on-premises Indoor Air Quality sensors to generate additional data points to better optimize HVAC systems and overall energy-use based on managing Air Quality Index and sub-micron particle levels. UPI developed its cloud-based analysis and insights on HVAC and site energy data.

On January 30, 2023, UPI and Dexterra Group Inc. ("**Dexterra**") completed a share-purchase transaction whereby Dexterra purchased the issued and outstanding securities of VCI. As a result, UPI divested itself of its proptech business interests.

The consideration for the sale of VCI was an aggregate of $4.8 million, subject to normal closing adjustments, and holdback. On closing, an aggregate of $3,820,000 was paid in cash, with a holdback of

$980,000 being subject to release over the twelve-month period following closing upon meeting certain milestones. UPI vocalized their intentions to use the cash from the VCI sale for acquisition of or investment in exciting businesses with rapid growth potential.

On August 8, 2023, the listing of UPI Shares was transferred to the NEX board of the TSXV for not meeting the Tier 2 Maintenance Requirements (as defined in the TSXV Policies).

Presently, UPI has no active business operations.

On February 18, 2021, UPI acquired an approximate 2% interest in ISBRG by subscribing for class A common shares of ISBRG for $1,000,000. The investment was recorded at fair value at initial recognition.

3.2 Three-year history of Xemoto

Xemoto is an influencer marketing software-as-a-service company that provides influencer marketing content and campaigns aimed at assisting businesses reach and engage retail investors, consumers, and business customers. Xemoto works directly with B2C and B2B clients, as well as investor relations, public relations, and marketing agencies, in the U.S. and Canada.

Corporate History

Xemoto was incorporated on July 6, 2020, pursuant to the OBCA, under the name “Untappedlab Inc.”. On May 14, 2021, Xemoto filed articles of amendment to change its name to “Xemoto Media Ltd.”.

On May 14, 2021, Xemoto filed articles of amendment to split the Xemoto Shares on the basis of 1,666.667 post-split Xemoto Share for each pre-split Xemoto Share.

On February 8, 2022, Xemoto filed articles of amendment to split the Xemoto Shares on the basis of 2 post-split Xemoto Shares for each pre-split Xemoto Share.

On October 13, 2023, Brandon Mina was hired as the CEO of Xemoto following the resignation of Xemoto’s former CEO, Virginia Brailey. Mr. Mina and Xemoto and entered into an employment agreement with respect to his role as CEO.

Financing History

On June 30, 2021, Xemoto closed a private placement financing of 6,000,000 units at a price of $0.05 per unit, for gross proceeds of $300,000. Each unit was comprised of one Xemoto Share and Xemoto Warrant exercisable at $0.05 for a period of five months from closing of the private placement.

On September 9, 2021, Xemoto closed a private placement financing of 3,800,000 units at a price of $0.05 per unit, for gross proceeds of $190,000. Each unit was comprised of one Xemoto Share and one Xemoto Warrant exercisable at $0.05 on or before March 31, 2022.

On February 18, 2022, Xemoto closed a private placement financing of 14,240,000 units at a price of $0.05 per unit, for gross proceeds of $712,000. Each unit was comprised of one Xemoto Share and one-half of a Xemoto Warrant, with each Xemoto Warrant exercisable at $0.12 for a period of five years from closing of the private placement. In connection with the February 18, 2022 private placement, Xemoto paid finders’ fees of $56,960 and issued 1,139,200 Xemoto Warrants, each exercisable into one Xemoto Share at a price of $0.05 until February 18, 2027.

On March 18, 2022, Xemoto closed a private placement financing of 1,850,000 units at a price of $0.05 per unit, for gross proceeds of $92,500. Each unit was comprised of one Xemoto Share and one-half of a Xemoto Warrant, with each Xemoto Warrant exercisable at $0.12 for a period of five years from closing of this private placement.

On July 11, 2022, Xemoto closed a private placement financing of 9,400,000 units, at a price of $0.05 per unit for gross proceeds of $470,000. Each unit was comprised of one Xemoto Share and one-half of a Xemoto Warrant, with each Xemoto Warrant exercisable at $0.12 for a period of five years from the closing of this private placement.

On January 12, 2023, Xemoto closed a private placement financing of 1,200,000 units at a price of $0.05 per unit, for gross proceeds of $60,000. Each unit was comprised of one Xemoto Share and one-half of a Xemoto Warrant, with each Xemoto Warrant exercisable at $0.12 for a period of five years from closing of this private placement.

Product and Service History

In 2021, Xemoto began developing its proprietary platform, Spectrum, and investigating the regulatory rules in the US and Canada with respect to the marketing of securities. Xemoto focused on developing an understanding of how the securities regulatory regime in Canada and the US could be synergized with advertising rules on social media channels to leverage its influencer marketing network. By the end of 2021, Xemoto had developed Spectrum, and signed a network of approximately 150 influencers for purposes of beta-testing.

In January 2022, Xemoto launched its beta program and also partnered with its shareholder, Ext. Marketing Inc., with respect to Spectrum's successful execution. Xemoto completed its beta program in April 2022, with 25 client participants for which Xemoto ran 47 campaigns at an average campaign reach of over 230,000 followers per campaign.

In June 2022, following the completion of the beta program, Xemoto commercially launched Spectrum. From June 2022 onwards, Xemoto progressively expanded its target market by servicing clients in over 7 industries and over 18 sub industry verticals, with a primary focus on the financial services, healthcare and cleantech, renewables, and mining and natural resources industries. These four industries represented approximately 75% of Xemoto's revenue on a combined basis for the financial year ended March 31, 2023. On a regional basis, the United States is the highest revenue generating region, composing of 54% of total revenue.

Xemoto has progressively expanded its affiliated influencer network to include both micro influencers (i.e., those with 10,000 to 50,000 followers on social media channels such as Instagram, Facebook, Twitter, YouTube and TikTok), and mid-tier influencers (i.e., between 50,000 to 500,000 followers).

Since commercial launch, continuous product enhancements in the Spectrum platform have been made with respect to campaign progression tracking for clients, post-campaign performance analytics, and ease of onboarding for both clients and influencers.

As at the date hereof, Xemoto offers access to approximately 420 influencers with over 80,000,000 followers across the U.S. and Canada. These services are offered to various brands and agencies across the world.

For further details on corporate developments of Xemoto from its inception to the date hereof, including, but not limited to, directors officers and key management, financings and issuance of securities, please refer to the financial statements and MD&A of Xemoto for the years-ended March 31, 2023, 2022 and 2021, and for the nine-month period ended December 31, 2023, as set out in Schedules “B” and “C” to this Listing Statement.

Description of Xemoto’s Products and Services

For a description of Xemoto’s products and services, please see Item 3.3 - General Description of the Business of Xemoto.

Expected changes to Xemoto’s business in the current financial year

During the financial year ended March 31, 2024, Xemoto expects to have completed a rebranding as part of a strategic shift from data-driven influencer marketing towards the provision of a more complete performance marketing solution for customers. As part of this initiative, Xemoto expects to develop custom mobile and web applications that will simplify campaign management and optimization for Xemoto’s clients by empowering them to further streamline their advertising efforts.

General Description of the Business of UPI

UPI does not currently have any active business operations.

General Description of the Business of Xemoto

Regulatory Environment

Xemoto’s primary markets are the United States and Canada. Within these regions, Xemoto primarily focuses on the following target industries: financial services, healthcare and cleantech, renewables, and mining and natural resources. Each industry group is highly and uniquely regulated. Accordingly, Xemoto must constantly keep pace with various regulatory changes and ensure that its employees and affiliated influencers are aware of: (i) applicable federal and provincial laws and regulations, (ii) industry codes and sector specific policies, and (iii) social media platform guidelines.

Federal and Provincial Laws and Regulations

The *Competition Act* contains both civil and criminal provisions on misleading advertising and deceptive marketing. This includes influencer and advertiser messaging. The onus of proper disclosure falls on all parties involved in the influencer marketing collaboration. The Competition Act’s misleading advertising provisions are broadly applicable to promotional claims made with respect to products, services, and business interests, including the literal or “general impression” of an advertisement or claim. Influencers must disclose material connections with the companies that sponsor/employ them and ensure that the associated content is not false or misleading in any way.

The *Competition Act* is supplemented by Canadian provincial statutes, which also prohibit false, misleading, or deceptive representations. These provincial laws and their regulations also govern specific sectors including, amongst others, contests, promotions, loan/credit, referral selling, implied warranties, and unsolicited goods.

PIPEDA and its provincial equivalents in British Columbia, Alberta, and Quebec, also operate in this regulatory environment to protect the private personal information of consumers. As a technology-based company, Xemoto may collect and store personal information about its users and partners, which must be protected from privacy breaches. Xemoto has implemented policies to protect against possible privacy breaches that may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions.

Similar federal and state level laws and regulations apply throughout the USA, including the Federal Trade Commission's consumer protection rules.

Industry Codes and Sector Specific Policies

The *Ad Standards* are the basis of the advertising industry's system of self-regulation, which is supplemented by standards set by media and advertising associations. Influencer specific disclosure guidelines have recently been developed to capture influencers engaged in paid partnerships, or who have received gifted products or experiences from companies. In many ways, these standards mirror federal and provincial laws and regulations, while also providing specific guidance with respect to, amongst other things, hashtags, stories, and social media network and/or channel specific settings.

In the securities and capital markets space, various investor relations policies established by securities commissions and exchanges also limit how influencers can be used to market securities. Securities regulatory bodies have targeted investor relations activities on behalf of an issuer, or shareholder(s) of an issuer, that promote the purchase of securities. Exchanges across the USA and Canada have generally developed policies that require the disclosure of contracts, and certain key terms, between the issuer and person(s) providing investor relations activities. In some cases, these disclosure obligations also include press releases and/or material change reports. Exchanges may also limit the types of compensation arrangements available to influencers and may exclude certain types of companies (e.g., capital-pool-companies and certain shell companies) from engaging influencers altogether. The CSA and the SEC have released statements and/or staff notices that annotate applicable rules and provide guidance on what constitutes improper conduct.

Social Media Platform Guidelines

Social media platforms also offer specific guidelines with respect to the type of content that can be advertised, whether written permission of the social media platform is required to advertise certain products and services, and with respect to permitted target demographics.

Impacts of the Regulatory Environment

As digital advertising continues to undergo significant changes, regulatory bodies have attempted to defend against improper conduct as it arises. Regulations from various sources are constantly developing. Given this dynamic environment, regulatory compliance in the influencer marketing space requires special attention to emerging sources of regulation and changes to existing regulation. Regulatory compliance can be expensive, and noncompliance may result in adverse publicity and potentially significant monetary damages, fines and the suspension or even termination of Xemoto's business operations.

Xemoto has designated a privacy and compliance officer to oversee the development, implementation, and maintenance of its privacy policy, disclosure guidelines and compliance frameworks. Xemoto employees are provided with these resources as well as regulatory compliance training. These packages are reviewed and updated regularly by Xemoto's compliance officer to capture new developments. Xemoto believes that it substantially complies with all relevant digital advertising laws and regulations and has the necessary safeguards to conduct its business as it is presently conducted.

As a service provider connecting companies with influencers for the purpose of marketing, Xemoto's clients and influencers are responsible for any industry specific or professional obligations that are appliable to them.

Revenues

As at December 31, 2023, Xemoto had 65% of revenue from marketing and investor relations agencies and 34% from B2C and B2B businesses directly.

The following tables detail Xemoto's revenue segmentation from inception to December 31, 2023:

Industries Serviced	**Revenue**	**% of Total**
Mining and Natural Resources	$190,924	41.6%
Financial Services	$90,504	19.8%
Healthcare	$55,691	12.2%
Software and Technology	$49,991	10.9%
Digital Marketing and Communications	$10,731	2.3%
Telecommunication	$25,491	5.6%
Cleantech and Renewables	$9,200	2.0%
Other	$25,862	5.6%
Total	**$458,394**	**100%**

Note: Industries Serviced represents the Industry of the end client utilizing the Company's influencer marketing platform to disseminate content.

Sales Channels	**Revenue**	**% of Total**
Direct(1)	$156,995	34.2%
Agency(2)	$301,399	65.8%
Total	**$458,394**	**100%**

(1) Direct sales entail selling Xemoto's offerings to the end client who disseminates their content through the Spectrum platform, either as standalone influencer marketing campaign(s) or as part of the client's longer-term marketing strategy.
(2) Agency sales entail selling Xemoto's offerings to investor relations and public relations agencies, which offer the Spectrum platform to their end clients in order to integrate influencer marketing with their broader marketing campaigns.

Regions	**Revenue**	**% of Total**
Canada	$190,340	41.5%
United States	$207,929	45.3%
International	$ 60,125	13.2%
Total	**$459,394**	**100%**

Note: Regions represents the region of the end client utilizing the Company's influencer marketing platform to disseminate content.

<u>*Services*</u>

Xemoto helps connect businesses operating primarily in highly regulated industries with their consumers by using influencers knowledgeable in the customers' industry group(s). Xemoto affiliated influencers curate and disseminate marketing content to their followers on behalf of the customer. And through Xemoto's core proprietary platform, Spectrum, customers are able to manage these marketing campaigns, track campaign progression, collect engagement data and review performance analytics.

Xemoto charges a fee to its customers based on a combination of the social media reach and campaign frequency requested, as well as for use of its platform. Xemoto provides its affiliated influencers with terms of service, a code of conduct, and advertising policies to ensure that they are operating in compliance with the securities regulatory regimes in Canada and the US.

Xemoto also aims to streamline the quality assurance ("**QA**") process for influencer campaign posts serving both investor communications and their brand/service clients. A significant portion of clients are in regulated sectors and ensuring high quality demands a well-optimized workflow and thorough content assessment, as maintaining brand safety is central to Xemoto's mission and the QA services Xemoto extends to their clients. To further ensure that Xemoto campaigns only feature content that aligns with brand safety guidelines, the company is taking steps to incorporate AI and automate a comprehensive review of text, videos, and images to ensure their appropriateness. This will include the development of a system to automatically validate posts based on specific criteria, ensuring the system can process various types of content (text, images, videos, links, etc.).

Specialized skill and knowledge requirements

Xemoto's platform was developed based on a combination of in-house developers and partner development firms using code requiring more highly skilled back-end developers and more common-place front-end capabilities. The code used for the platform is housed on Google Cloud with customary product applications used to manage and facilitate ongoing development. Xemoto employs one full stack developer and a specialized product manager internally. Outside of the company, Xemoto contracts the development firm, BrainyYack Internet Solutions Ltd., for their technology development expertise. BrainyYack Internet Solutions Ltd. is used for front-end development support and testing for new releases on Spectrum.

Competitive Conditions

Xemoto faces some competition from investor relations agencies, small public relations agencies and marketing firms specializing in digital ads. Xemoto's largest competitors include #paid (Hashtag Paid) and Grin. Hashtag Paid and Grin have a similar business model to Xemoto but target a different demographic of clientele. Hashtag Paid and Grin operate predominantly in the consumer retail and ecommerce industries as opposed to the financial services, healthcare and cleantech, renewables, and mining and natural resources industries in which Xemoto primarily operates. Further, while Hashtag Paid and Grin primarily seek partnerships with macro-influencers that may promote a wide range of products or services, Xemoto targets partnerships with regulatory savvy micro and mid-tier influencers in underserved or niche industries.

New Products

Xemoto plans to implement new software to expand its current business offerings. During the first quarter of 2024, Xemoto will introduce Moxo, a mobile and web application designed to automate workflows from acquisition to onboarding to customizations. This technology will allow Xemoto to streamline the marketing campaign life cycle and give its clients access to all necessary inputs on a single platform.

Cycles

Not applicable.

Intangible Properties

Xemoto's proprietary software, Spectrum, is critical to its offerings but is of unknown long-term value based on other software currently available in the market on a white-label basis. Xemoto has been taking steps to add capabilities to its current platform using such third-party software solutions. The key strength of Xemoto is in its networks and relationships with industry focused influencers and the robust communication and support of their efforts.

<u>Changes to Contracts</u>

Not applicable.

<u>Employees</u>

As at the date of this Listing Statement, Xemoto had a total of five employees, and three contractors (excluding influencers). Following Closing, the Resulting Issuer will have six employees and three contractors (excluding influencers).

<u>Lending</u>

Not applicable.

3.3 General Development of the Business of Subco prior to the Transaction

Subco was incorporated for the sole purpose of effecting the Transaction.

3.4 Additional information

Significant Acquisitions and Dispositions

<u>UPI</u>

Other than the transaction that was completed on January 30, 2023, whereby Dexterra purchased the issued and outstanding securities of UPI's wholly-owned subsidiary, VCI, UPI has not acquired any significant assets or disposed of any significant assets within the previous or current financial year.

<u>Xemoto</u>

Xemoto has not acquired any significant assets or disposed of any significant assets within the previous or current financial year.

Trends

Apart from the risk factors noted above and under the heading "*Risk Factors*", UPI and the Resulting Issuer are not aware of any other trends, commitments, events, or uncertainties that are reasonably likely to have a material adverse effect on the Resulting Issuer's business, financial conditions or result of operations.

Bankruptcy and Receivership

Neither UPI nor Xemoto have been the subject of any bankruptcy or any receivership or similar proceedings against them or any voluntary bankruptcy, receivership, or similar proceedings by UPI nor Xemoto, within the three most recently completed financial years or the current financial year.

Material Restructuring

<u>UPI</u>

Other than the transaction that was completed on January 30, 2023, whereby Dexterra purchased the issued and outstanding securities of UPI's wholly-owned subsidiary, VCI, UPI has not been subject to any material restructuring transaction within the three most recently completed financial years nor is UPI proposing any material restructuring transaction for the current financial year.

Xemoto

Xemoto has not been subject to any material restructuring transaction within the three most recently completed financial years nor is Xemoto proposing any material restructuring transaction for the current financial year.

Subco

Subco has not been subject to any material restructuring transaction within the three most recently completed financial years nor is Subco proposing any material restructuring transaction for the current financial year.

4. USE OF PROCEEDS

4.1 Proceeds

It is anticipated that the following funds will be available to the Resulting Issuer:

Description of Funds	Amount ($)
Estimated Working Capital of Xemoto at Closing	(1,131,426) (1)
Estimated Working Capital of UPI at Closing	2,366,208
Less expenses and costs of the Transaction	(100,000)
Total Funds	**1,134,783**

Notes:
(1) This figure includes the Equity Financing of $250,000.

4.2 Principal Purposes – generally

The chart below provides a summary of the principal purposes for which the funds described above under "Total Funds" will be used in part.

Use of Proceeds	Funds to be Expended
Cost of Completing the Listing on the Exchange	$100,000
Public Company Costs	$288,000 (3)
Core Business Operations, Development and Growth (1)	$538,268
Business Objectives and Milestones (4)	$100,000

Surplus (Contingency) (2)	$108,514
Total	**$1,134,782**

Notes:

(1) This includes annual management compensation and the monthly cash that Xemoto spends before generating income, less the public company costs cited herein. This figure assumes an average monthly revenue of $43,000 with a gross margin of 50%.

(2) Xemoto may allocate some of these funds to investor relations activities, but no decisions have been made in this respect as at the date of this Listing Statement.

(3) This is made up of the following annual fees: transfer agent and filing fee ($12,000); marketing/investor relations/news related fees ($60,000); auditor fees ($50,000); stock exchange fees ($12,000); shareholder annual general meeting fees ($20,000); legal fees ($74,000); and directors and officer's insurance fees ($60,000).

(4) Please see Item 4.7 – *Business Objectives and Milestones* for more information.

A summary of the estimated annual general and administrative costs for the twelve months immediately following the listing of the Resulting Issuer Shares on the Exchange is as follows:

Item	Amount	Frequency
Management • *CEO* ($140,000) • *Fractional CFO* ($36,000) • *CRO* ($140,000)	$316,000	Annually
Transfer Agent and Filing	$12,000	Dependent on level of activity
Marketing/IR/News	$60,000	Annually
Auditor	$50,000	Annually
Stock Exchange Fees	$12,000	Annually
Shareholder AGM	$20,000	Annually
Legal	$24,000	Annually
D&O Insurance	$60,000	Annually
Total	**$46,167**	**Monthly**
	$554,000	**Annually**

Although the Resulting Issuer intends to use the net proceeds for the purposes set forth above, the Resulting Issuer reserves the right to use such net proceeds for other purposes to the extent that circumstances, including unforeseen events and other sound business reasons, make such use necessary or prudent. If the Resulting Issuer believes it would be in the Resulting Issuer's best interest to do so, the Resulting Issuer may re-allocate the net proceeds as a result of changes to the Resulting Issuer's strategy in response to changing market conditions and other risk factors described under "Risk Factors".

4.3 Principal purposes – Indebtedness

Not applicable.

4.4 Principal purposes – asset acquisition

Not applicable.

4.5 Principal purposes – insiders, etc.

Not applicable.

4.6 Principal purposes – research and development

Xemoto intends to allocate approximately $240,000 towards research and development, which is 12% of the proceeds of the Transaction and Equity Financing, to the following research and development activities:

Short Term Strategy (6-12 Months): A Complete Performance Marketing Solution

Xemoto intends to pivot from a company that currently offers organic influencer campaigns, towards a complete performance marketing solution. This involves using various tools and technologies to track key performance indicators such as engagement rates, click-through rates and conversion rates. By leveraging the full power of performance marketing, Xemoto aims to enhance return on investment for its clients and help them achieve their business objectives more effectively.

Long Term Strategy (12+ Months): FWA in Digital Advertising

Xemoto is committed to implementing advanced fraud detection technologies, optimizing ad spend efficiency and collaborating with industry stakeholders to foster a healthier digital advertising ecosystem by providing advertisers with transparent and compliant advertising processes. In order to achieve these objectives, Xemoto expects to continue to evolve the services and solutions it offers by providing thought leadership, blueprints, frameworks and technical accelerators to assist clients in their evolving marketing needs.

To execute the short- and long-term strategies, Xemoto has allocated $90,000 for a product manager, $85,000 for a full stack developer and $65,000 for a subcontracted fractional chief technology officer and external development. This combination of internal staff and external subcontractors will be responsible for integrating the complete performance marketing solution into Xemoto's current tech stack and delivering a product roadmap for a FWA solution that can be brought to market.

Xemoto is currently conducting its own research into specific projects it will undertake to achieve these stated objectives. Xemoto intends to both conduct its own research and development and subcontract as necessary in the execution of future projects.

4.7 Business objectives and milestones

Marketing plans and strategies

Xemoto has plans to market the business with programs in brand/thought leadership, product marketing and growth marketing all powered by influencer marketing. Xemoto is actively seeking partnerships in order to support the development of brand assets, content, media relations engagement, and product marketing tools.

Xemoto is working with its affiliated influencers to run organic and paid campaigns on social media platforms in addition to Google. Xemoto has plans to initially invest $15,000 per month in these initiatives, with a scheduled increase to $30,000 if internal growth targets are met.

Milestones

Milestone	Objectives	Start Date	Completion	Estimated Costs	
Programmatic Integration	- Integrate the use of automated technology to buy and sell digital ads serving relevant impressions to users based on data insights and algorithms into its existing services. - Aim to provide advertisers with precise and efficient audience targeting, enhancing overall effectiveness of campaigns.	Monday, July 1, 2024	Monday, September 30, 2024	Technology Integration into Legacy Platform **Total**	$10,000 **$10,000**
Custom 360° Campaign Reporting	- Develop a custom campaign reporting dashboard to provide clients with enhanced transparency and the tools they need to monitor and optimize their campaigns with precision, ensuring higher impact.	Monday, April 1, 2024	Sunday, June 30, 2024	Integration into Spectrum **Total**	$15,000 **$15,000**
Social Media Management & Automation Platform	- Develop a social media management platform to offer clients a comprehensive solution for efficiently managing and optimizing their social media framework, ensuring a strong and consistent online presence. - Include the implementation of generative artificial intelligence specifically to aid marketers in creating copywriting and creative assets for social media.	Monday, July 1, 2024	Monday, September 30, 2024	Platform Implementation **Total**	$10,000 **$10,000**
FWA Product Roadmap	- Develop a comprehensive product roadmap focused on addressing critical issues in digital advertising, particularly FWA, in order to create a safer and more efficient advertising ecosystem, safeguarding clients' investments and enhancing their advertising experience. - Develop a machine learning algorithm that detects bot traffic and includes artificial intelligence decision making capabilities.	Monday, July 1, 2024	Monday, September 30, 2024	Product Roadmap External Development **Total**	$20,000 $45,000 **$65,000**

4.8 Unallocated Funds in Trust or Escrow

Not applicable.

4.9 Other Sources of Funding

Not applicable.

4.10 Funding by Special Warrants, Etc.

Not applicable.

5. DIVIDENDS OR DISTRIBUTIONS

5.1 Dividends or distributions

Neither UPI nor Xemoto have paid any dividends on their common shares since incorporation.

Other than restrictions in the CBCA, there are no restrictions on the Resulting Issuer's ability to declare dividends.

With respect to the Resulting Issuer, the payment of dividends, if any, will rest within the sole discretion of the Resulting Issuer Board. The decision to declare and pay dividends depends upon earnings, capital requirements and financial condition, as well as other relevant factors. The Resulting Issuer has not declared any cash dividends and it intends to retain its earnings to finance the growth and expansion of its operations. As such, the Resulting Issuer anticipates that it will not pay any dividends on the Resulting Issuer's Shares or other securities in the foreseeable future.

The Resulting Issuer has neither declared nor paid any dividends on the Resulting Issuer Shares since incorporation and has not established any dividend or distribution policy. The Resulting Issuer intends to retain its earnings to finance growth and expand its operations and does not anticipate paying any dividends on the Resulting Issuer Shares in the foreseeable future. Nevertheless, other than as set out in the CBCA, there are no restrictions that would prevent the Resulting Issuer from paying dividends on the Resulting Issuer Shares.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

6.1 MD&A

UPI's MD&A for the years-ended August 31, 2023, 2022, and 2021, as well as the six-month period ended February 28, 2024, are available on UPI's SEDAR+ profile at www.sedarplus.ca and is attached as Schedule "D" hereto.

Xemoto's MD&A for the years ended March 31, 2023, and 2022, as well as the nine-month period ended December 31, 2023, are attached hereto as Schedule "C".

6.2 Disclosure of outstanding security data

See Item 8 – *Description of the Securities*.

6.3 Additional disclosure for junior issuers

See Item 4 – *Use of Proceeds*.

7. EARNINGS COVERAGE RATIOS

7.1 Earnings coverage ratios

Not applicable.

8. DESCRIPTION OF THE SECURITIES

8.1 General

Authorized and Issued Share Capital

The authorized share capital of the Resulting Issuer will consist of an unlimited number of Resulting Issuer Shares without par value, of which 91,193,005 are projected to be issued and outstanding as of the Closing Date.

Common Shares of the Resulting Issuer

Resulting Issuer Shareholders are entitled to receive notice of, and to attend and vote at, all meetings of the Resulting Issuer Shareholders, and each Resulting Issuer Share will confer the right to one vote, provided that the shareholder is a holder on the applicable record date declared by the Resulting Issuer Board. Resulting Issuer Shareholders are entitled to receive dividends if, as and when declared by the Resulting

Issuer Board. In the event of a liquidation, dissolution or winding up of the Resulting Issuer or other distribution of assets of the Resulting Issuer among the holders of shares of the Resulting Issuer, holders of the Resulting Issuer Shares will rank equally as to priority of distribution.

Common Share Purchase Warrants of the Resulting Issuer

Following the Closing of the Transaction there will be 12,565,078 Resulting Issuer Warrants issued and outstanding. The Resulting Issuer Warrants may be exercised to acquire 12,565,078 Resulting Issuer Shares in accordance with the following terms:

Number of Resulting Issuer Warrants (1)	Issue Date	Exercise Price (1)	Expiration Date
2,714,354	February 17, 2022	$0.53	February 17, 2027
1,602,000	February 18, 2022	$0.53	February 18, 2027
208,125	March 18, 2022	$0.53	March 18, 2027
128,099	June 8, 2022	$0.53	June 8, 2027
1,057,500	July 11, 2022	$0.53	July 11, 2027
135,000	January 12, 2023	$0.53	January 12, 2028
6,750,000	March 15, 2024	$0.067	On a date that is the 36-month anniversary of the listing of the Resulting Issuer Shares on a recognized securities exchange.

Notes:
(1) These figures have been adjusted in accordance with the Share Exchange Ratio.

The Resulting Issuer Warrants are governed by the terms and conditions set out in the certificates representing same. The certificates representing the Resulting Issuer Warrants also provide for the customary conversion rights adjustments upon the occurrence of certain liquidity events. The holders of Resulting Issuer Shares issued upon the execution of the Resulting Issuer Warrants have all of the same rights of the holders of Resulting Issuer Shares as detailed above.

Resulting Issuer Broker Warrants

As of the date of this Listing Statement, there are 476,820 Resulting Issuer Broker Warrants issued and outstanding. The Resulting Issuer Broker Warrants may be exercised to acquire Resulting Issuer Shares in accordance with the following terms:

Number of Resulting Issuer Broker Warrants (1)	Issue Date	Exercise Price (1)	Expiration Date
256,320	February 18, 2022	$0.22	February 18, 2027

33,300	March 18, 2022	$0.22	March 18, 2027
169,200	July 11, 2022	$0.22	July 11, 2027
18,000	January 12, 2023	$0.22	January 12, 2028

Notes:
(1) These figures have been adjusted in accordance with the Share Exchange Ratio.

The Resulting Issuer Broker Warrants are governed by the terms and conditions set out in the certificates representing same. The certificates representing the Resulting Issuer Broker Warrants also provide for the customary conversion rights adjustments upon the occurrence of certain liquidity events. The holders of Resulting Issuer Shares issued upon the execution of the Resulting Issuer Broker Warrants have all of the same rights of the holders of Resulting Issuer Shares as detailed above.

Convertible Debentures of the Resulting Issuer

On August 23, 2023, 100 Xemoto 2023 Convertible Debentures were issued at a price of $1,000 per unit for gross proceeds of $100,000. The Xemoto 2023 Convertible Debentures bear interest at a rate of 10% per annum, which is payable semi-annually in cash in arrears, with the first payment due on February 23, 2024. Xemoto may, at its option, pay the entire amount of indebtedness then owing to the debentureholder, and an additional three months' interest, upon providing 30 days prior notice to the debentureholder. The debentureholder may convert all or part of the Xemoto 2023 Convertible Debentures into Xemoto Shares at a conversion price of $0.025 per Xemoto Share until the third Business Day prior to August 23, 2026, by delivering notice to Xemoto. Conversion of the Xemoto 2023 Convertible Debentures, at a conversion price of $0.025 per Xemoto Share, may also occur automatically if, the volume-weighted average price (VWAP) of the Xemoto Shares equals or exceeds $0.075 per share on a recognized stock exchange or quotation system for a period of twenty (20) consecutive trading days.

On March 15, 2024, 300 convertible debenture units of Xemoto were issued at a price of $1,000 per unit for gross proceeds of $300,000. The Xemoto 2024 Convertible Debentures mature on September 15, 2025 (subject to the acceleration provisions in the KW Subscription Agreement). Each convertible debenture unit consists of a Xemoto 2024 Convertible Debenture and 100,000 Xemoto Warrants. The Xemoto 2024 Convertible Debentures are convertible into Xemoto Shares at a conversion price of $0.01 per Xemoto Share. Subject to the receipt of all applicable regulatory approvals, in the event that Xemoto issues additional securities at, or convertible into, a price lower than $0.01 the conversion price will be adjusted to same. The Xemoto Warrants entitle the holder to acquire a Xemoto Share at an exercise price of $0.015 at any time up to 36 months from the date that Xemoto is listed on a recognized stock exchange in Canada. Subject to the receipt of all applicable regulatory approvals, in the event that Xemoto issues additional Xemoto Warrants at an exercise price lower than $0.015, the exercise price will be adjusted down to same. Furthermore, Xemoto may, at its option, prepay or redeem the entire amount of indebtedness then owing to the holders of the Xemoto 2024 Convertible Debentures upon providing them 10 days prior notice. In the event that Xemoto pays or redeems all of the Xemoto 2024 Convertible Debentures by March 15, 2025, Xemoto will be entitled to a 2.5% discount on the principal amount of the Xemoto 2024 Convertible Debentures.

Following the completion of the Transaction, the former Xemoto debentureholders will receive an aggregate of 400 convertible debentures of the Resulting Issuer in exchange for the 100 Xemoto 2023 Convertible Debentures and the 300 Xemoto 2024 Convertible Debentures previously held by them. The convertible debentures of the Resulting Issuer will be subject to substantially the same terms as the Xemoto 2023 Convertible Debentures and Xemoto 2024 Convertible Debentures and are convertible at a conversion price of $0.1111 and $0.0444, respectively, per Resulting Issuer Share.

Options and Restricted Share Units of the Resulting Issuer

Please see Item 10. *Options to Purchase Securities* for a description of the Resulting Issuer Plan, Resulting Issuer Options and Resulting Issuer RSUs:

The Resulting Issuer Options and Resulting Issuer RSUs upon completion of the Transaction will be as follows:

Number of Resulting Issuer Options (1)	Grant Date	Average Exercise Price (1)	Vesting Date
90,000	September 16, 2022	$0.22	September 16, 2027
1,125,000 (2)	October 13, 2023 (2)	$0.14 (2)	April 13, 2025 (2)
900,000	January 12, 2024	$0.05	January 12, 2024
897,750	January 12, 2024	$0.05	January 12, 2025
450,000	January 12, 2024	$0.05	One-third (1/3) January 12, 2024 One-third (1/3) January 12, 2025 One-third (1/3) January 12, 2026
2,850,000 (3)	July 30, 2021 (300,000 Resulting Issuer Options) August 22, 2022 (550,000 Resulting Issuer Options) February 2, 2024 (2,000,000 Resulting Issuer Options)	$0.17	July 14, 2024 (300,000 Resulting Issuer Options) August 22, 2025 (550,000 Resulting Issuer Options) February 2, 2026 (2,000,000 Resulting Issuer Options)
225,000 (6)	February 26, 2024	$0.08	February 26, 2025 (112,500 Resulting Issuer Options) February 26, 2026 (112,500 Resulting Issuer Options)
315,000 (4)	April 26, 2024	$0.05	April 26, 2024
1,125,000 (2)	April 26, 2024	$0.14 (2)	April 26, 2026
1,000,000 (5)	April 26, 2024	$0.05	April 26, 2025

Number of Resulting Issuer RSUs (1)	Grant Date	Average Exercise Price (1)	Vesting Date
315,000	May 22, 2023	$0.04	May 22, 2026

Notes:
(1) These figures have been adjusted in accordance with the Share Exchange Ratio.
(2) The 1,125,000 Resulting Issuer Options vest in thirds every 6 months following the issuance of the Resulting Issuer Options until all Resulting Issuer Options are vested. The Resulting Issuer Options have the following exercise prices: one-third (1/3) of the Resulting Issuer Options have an exercise price of $0.09 per Resulting Issuer Share, one-third (1/3) of the Resulting Issuer Options have an exercise price of $0.16 per Resulting Issuer Share, and one-third (1/3) of the Resulting Issuer Options have an exercise price of $0.18 per Resulting Issuer Share.
(3) The 2,850,000 Resulting Issuer Options represent the options of former UPI Shareholders, which were exchanged for Resulting Issuer Options on the same terms. These options have the following grant dates, exercise prices and vesting dates: 2,000,000 UPI Options were granted to Jeff Berman (1,000,000), Brian Illion (500,000), and Al Quong (500,000) on February 2, 2024 with an exercise price of $0.05 and which vest on February 2, 2026; 150,000 UPI Options were granted to Chris Hazelton on July 30, 2021 at an exercise price of $0.30, which fully vest on July 14, 2024; 400,000 UPI Options were granted to Chris Hazelton on August 22, 2022 at an exercise price of $0.10, which fully vest on July 14, 2024; 150,000 UPI Options were granted to Al Quong on July 30, 2021 at an exercise price of $0.30, which fully vest on July 30, 2024; and 150,000 UPI Options were granted to Al Quong on August 22, 2022 at an exercise price of $0.10, which fully vest on August 22, 2025.
(4) The 315,000 Resulting Issuer Options are made up of: 45,000 Resulting Issuer Options held by each of Brian Presement, Randall Craig, Jillian Bannister, Jeremy Goldman, Marc Lakmaaker, Adam Szweras and Vanessa Garro-Peeters. These Resulting Issuer Options expire on April 26, 2029.
(5) The 1,000,000 Resulting Issuer Options are made up of: 250,000 Resulting Issuer Options held by Cameron Battley and Bart Piwowar, respectively, and 500,000 Resulting Issuer Options held by Brian Wyatt. These Resulting Issuer Options vest in 1/3s, with 1/3 vesting immediately, 1/3 vesting on October 26, 2024 and 1/3 vesting on April 26, 2025. These Resulting Issuer Options expire on April 26, 2029.
(6) 225,000 UPI Options were granted to Miranda Aubin on February 26, 2024, at an average exercise price of $0.08, and which fully vest on February 26, 2026.

8.2 Asset-backed securities

Xemoto nor the Resulting Issuer has any asset-backed securities.

9. CONSOLIDATED CAPITALIZATION

9.1 Consolidated capitalization

The following table sets forth the capitalization of UPI and Xemoto as at the most recent financial period, and the pro-forma capitalization of the Resulting Issuer after giving effect to the Transaction:

Designation of Security	UPI Authorized Amount as at February 29, 2024	UPI Amount outstanding as at February 29, 2024 (2)	Xemoto Authorized Amount as at March 31, 2024	Xemoto Amount Outstanding as at March 31, 2024 (2)	Authorized Amount following the Closing of the Transaction	Amount Outstanding following the Closing of the Transaction (1)
Common Shares	Unlimited	49,217,408	Unlimited	155,201,409	Unlimited	91,193,005
Warrants	Unlimited	-	Unlimited	55,978,123	Unlimited	12,595,078
Broker Warrants	Unlimited	-	Unlimited	2,119,200	Unlimited	476,820
Stock Options	10% of the common shares issued and outstanding at	3,350,000	20% of the common shares issued and outstanding	17,590,000	10% of the common shares issued and outstanding	8,977,750 (3)

	the time of grant		from time to time		from time to time	
RSUs	n/a	-	10% of the common shares issued and outstanding	1,400,000	10% of the common shares issued and outstanding from time to time	315,000
Convertible Debentures	n/a	-	n/a	400 (4)	n/a	400

Notes:

(1) These figures have been adjusted in accordance with the Share Exchange Ratio, and includes all issuances and cancellations since the February 29, 2024 and March 31, 2024 financial periods, respectively.

(2) The Share Exchange Ratio has not been applied to these figures.

(3) This figure consists of the 3,075,000 UPI Options and the 5,902,750 Xemoto Options (after applying the Share Exchange Ratio). For further details see Item 8. Description of the Securities.

(4) These convertible debentures are comprised of 100 Xemoto 2023 Convertible Debentures and 300 Xemoto 2024 Convertible Debentures.

10. OPTIONS TO PURCHASE SECURITIES

10.1 Options to purchase securities

Under the terms of the Resulting Issuer Plan, the Board may grant awards to eligible participants, as applicable. Eligible participants include directors, officers, employees, consultants of the Resulting Issuer and its subsidiaries, management company employees and companies wholly-owned by individuals who are eligible participants. Participation in the Resulting Issuer Plan is voluntary and, if an eligible participant agrees to participate, the grant of awards will be evidenced by a grant agreement with each such participant. The interests of any participant in any award are not assignable or transferable, whether voluntary, involuntary, by operation of law, otherwise, other than by will or the laws of descent and distribution.

The Resulting Issuer Plan provides that appropriate adjustment, if any, will be made by the Board in connection with a share split or consolidation in the shares issuable or amounts payable to preclude the dilution or enlargement of the benefits of the Resulting Issuer Plan. However, the terms of any awards granted under the Resulting Issuer Plan will not be amended once issued. In the event of cancellation of awards, new awards will not be granted to the same person until 30 days have elapsed from the date of cancellation. The Resulting Issuer Plan does not contain any form of financial assistance.

The number of shares reserved for issuance pursuant to the Resulting Issuer Plan shall not exceed 10% of the issued and outstanding Resulting Issuer Shares from time to time.

Subject to adjustment pursuant to provisions of the Resulting Issuer Plan, the aggregate number of shares (i) issued to insiders of the Resulting Issuer under the Resulting Issuer Plan together with any other share based compensation arrangement, within any twelve month period and (ii) issuable to insiders of the Resulting Issuer at any time under the Resulting Issuer Plan together with any other share based compensation arrangement, shall in each case not exceed 10% of the total issued and outstanding Resulting Issuer Shares from time to time, in each case unless the Resulting Issuer has obtained the requisite disinterested shareholder approval. The total number of Resulting Issuer Shares which may be reserved for issuance pursuant awards to any one participant under the Resulting Issuer Plan shall not exceed 5% of the issued and outstanding Resulting Issuer Shares on the date of grant of such award or within any twelve - month period (in each case on a non-diluted basis). The total number of Resulting Issuer Shares which may be reserved for issuance pursuant to any one eligible participant that is a consultant of the Resulting Issuer pursuant to the Resulting Issuer Plan and any other share-based compensation arrangements in any twelve -month period must not exceed 2% of the issued Resulting Issuer Shares calculated at the date any such awards are granted. The aggregate number of Resulting Issuer Options to all persons retained to provide investor relations activities pursuant to the Resulting Issuer Plan and any other share-based compensation arrangements must not exceed 2% of the issued shares in any twelve -month period calculated at the date any such option is granted. Resulting Issuer RSUs may be granted under the Resulting Issuer Plan to persons retained by the Resulting Issuer to provide investor relations activities. Participants are not entitled to receive dividends until such time as they are shareholders of the Resulting Issuer.

An option shall be exercisable during a period established by the Board which shall commence on the date of the grant and shall terminate no later than 10 years after the date of grant. The minimum exercise price of an option will be determined by the Board but shall not be less than the minimum price permitted by the CSE Policies, which is currently the greater of the closing market prices of the underlying securities on: (a) the Trading Day (as defined in the CSE Policies) prior to the date of grant of the Resulting Issuer Options; and (b) the date of grant of the Resulting Issuer Options.

The Resulting Issuer Plan provides that the exercise period shall automatically be extended if the date on which it is scheduled to terminate shall fall during a Black-out Period (as defined in the Resulting Issuer Plan). In such cases, the extended exercise period shall be terminated 10 Business Days after the last day of the Black-out Period. Resulting Issuer Options granted to any person retained to provide investor relations activities must vest in a period of not less than twelve months from the date of grant of the option and with no more than 25% of the Resulting Issuer Options vesting in any three-month period.

The Board may determine the number of Resulting Issuer RSUs to be granted to a participant, the relevant vesting provisions of such Resulting Issuer RSUs (which may not be less than one year and may not exceed three years), including any performance criteria and period over which such performance criteria must be met, if any and any other terms and conditions prescribed in the Resulting Issuer Plan. The Board shall determine whether Resulting Issuer RSUs will be settled in shares issued from treasury or settled in cash. No Resulting Issuer RSUs may be granted under the Resulting Issuer Plan to persons retained to provide investor relations activities.

The following table describes the impact of certain events upon the rights of holders of awards under the Resulting Issuer Plan, including termination for cause, resignation, termination other than for cause and death or long-term disability, subject to the terms of a participant's employment agreement, grant agreement and the change of control provisions described below:

Event Provisions	**Awards**
Termination for Cause	Immediate forfeiture of all vested and unvested awards
Death / Disability	Unvested awards shall vest on such date and in the case of an RSU be settled in accordance with the provisions of the Resulting Issuer Plan and in the case of an option be exercised at any that terminates on the earlier of the expiry date and the first anniversary of the date of death or disability of the participant, as applicable.
Other reasons	Unvested awards are immediately forfeited. Vested Resulting Issuer RSUs shall be settled in accordance with the provisions of the Resulting Issuer Plan and in the case of an option be exercised at any that terminates on the earlier of the expiry date and the date that is 90 days from the date of death or disability of the participant, as applicable.

The Board may amend the Resulting Issuer Plan or any securities granted under the Resulting Issuer Plan at any time without the consent of a participant provided that such amendment shall: (i) not adversely alter or impair any award previously granted except as permitted by the terms of the Resulting Issuer Plan; (ii) be in compliance with applicable law and subject to any regulatory approvals including, where required, the approval of the CSE; and (iii) be subject to shareholder approval, where required by law, the requirements of the CSE or the Resulting Issuer Plan, provided however that shareholder approval shall not be required for the following amendments and the Board may make any changes which may include but are not limited to:

- amendments of a clerical or “housekeeping” nature;
- any amendments of the Resulting Issuer Plan or an award as necessary to comply with the requirements of the CSE; and
- amendments to correct any defect, supply any omission or reconcile any inconsistency in the Resulting Issuer Plan or any agreement in respect of an award and to make all other determinations and take such other action with respect to the Resulting Issuer Plan or any agreement in respect of an award as the Board may deem advisable to ensure compliance with applicable law.

Notwithstanding the foregoing, disinterested shareholder approval is required for certain amendments to the Resulting Issuer Plan, including, but not limited to the following:

- any change to the maximum number of shares issuable from treasury under the Resulting Issuer Plan;
- any amendment that adds to the categories of eligible participants who may be designated for participation in the Resulting Issuer Plan;
- any amendment that removes or increases the participation limits under the Resulting Issuer Plan; or
- any amendments to the amendment provisions of the Resulting Issuer Plan.

The Board may, subject to regulatory approval, discontinue the Resulting Issuer Plan at any time without the consent of the participants provided that such discontinuance shall not materially and adversely affect any awards previously granted to a participant under the Resulting Issuer Plan.

11. PRIOR SALES

11.1 Prior sales

The following table sets forth details of the issuances of Xemoto Shares, UPI Shares and other securities of Xemoto and UPI within the last twelve months before the date of this Listing Statement:

Date of Issue	Description	Number and Type of Securities Sold (11)	Price per Share / Exercise Price (11)	Description of Consideration
May 22, 2023	Bonus share issuance of Xemoto Shares (1)	3,420,716 (Xemoto Shares)	$0.01	Fee for Services

May 22, 2023	Bonus issuance of Xemoto RSUs [(2)]	1,400,000 (Xemoto RSUs)	$0.01	Fee for Services
May 22, 2023	Debt Settlements [(3)]	368,673 (Xemoto Shares)	$0.01	Cash
May 22, 2023	Compensation Shares [(4)]	5,691,112 (Xemoto Shares)	$0.01	Fee for Services
June 8, 2023	Private Placement [(5)]	45,055,001 (Xemoto Shares)	$0.01	Cash
June 9, 2023	Debt Settlements and Compensation Shares [(6)]	11,747,888 (Xemoto Shares)	$0.01	Cash
July 4, 2023	Private Placement [(7)]	8,900,000 (Xemoto Shares)	$0.01	Cash
August 23, 2023	Convertible Debenture Offering [(8)]	100 (Xemoto 2023 Convertible Debentures)	$1,000	N/A
October 13, 2023	Compensation Shares [(9)] RSU Conversion [(9)]	2,000,000 (Xemoto Shares) 900,000 (Xemoto Shares)	$0.01 $0.05	Fee for Services
October 13, 2023	Compensation Options [(10)]	5,000,000 (Xemoto Options)	$0.02 (1,666,666 Xemoto Options) $0.035 (1,666,666 Xemoto Options) $0.04 (1,666,667 Xemoto Options)	Fee for Services
October 23,2023	Debt Settlements [(12)]	400,000 (Xemoto Shares)	$0.01	Cash
November 16, 2023	Private Placement [(13)]	15,750,000 (Xemoto Shares)	$0.01	Cash
November 29, 2023	Debt Settlement [(14)]	2,410,000 (Xemoto Shares)	$0.01	N/A
January 12, 2024	Compensation Options [(15)]	4,000,000 (Xemoto Options)	$0.01125	Fee for Services

January 12, 2024	Compensation Options [16]	3,990,000 (Xemoto Options)	$0.01125	Fee for Services
January 12, 2024	Compensation Shares [17]	4,000,000 (Xemoto Shares)	$0.01	Fee for Services
January 12, 2024	Compensation Options [18]	2,000,000 (Xemoto Options)	$0.01125	Fee for Services
February 2, 2024	Compensation Options [19]	2,000,000 (UPI Options)	$0.05	Fee for Services
February 26, 2024	Compensation Options [24]	225,000 (UPI Options)	$0.06 (75,000 UPI Options) $0.08 (75,000 UPI Options) $0.10 (75,000 UPI Options)	Fee for Services
March 15, 2024	Convertible Debenture Offering [20]	300 (Xemoto 2024 Convertible Debentures) 30,000,000 (Xemoto Warrants)	$1,176 $0.015	Cash
April 4, 2024	Compensation Options [21]	5,000,000 (Xemoto Options)	$0.02 (1,666,666 Xemoto Options) $0.035 (1,666,666 Xemoto Options) $0.04 (1,666,667 Xemoto Options)	Fee for Services
April 26, 2024	Compensation Options [22]	1,400,000 (Xemoto Options)	$0.01125	Fee for Services
April 26, 2024	Compensation Options [23]	4,444,444 (Xemoto Options)	$0.01125	Fee for Services

Notes:
(1) On May 22, 2023, an aggregate of 3,420,716 Xemoto Shares were issued as follows: 760,716 Xemoto Shares were issued with respect to various bonuses provided to directors, officers and employees of Xemoto for fiscal 2022; and 2,660,000 Xemoto Shares were issued with respect to a management bonus to Virginia Brailey;
(2) On May 22, 2023, 1,400,000 Xemoto RSUs were issued to directors, officers and employees of Xemoto for fiscal 2022. These Xemoto RSUs fully vest on May 22, 2026 ($70,000 vesting on the first anniversary and $65,000 on each of the following anniversaries).
(3) 368,673 Xemoto Shares were issued pursuant to Debt Settlement Agreements between Xemoto and Plexus Cybermedia Inc. and Textify Inc., respectively, each dated May 22, 2023.
(4) An aggregate of 5,691,112 Xemoto Shares were issued as follows: 5,331,112 Xemoto Shares were issued as success, advisory, and services fees paid to FMI Capital Markets Inc. in accordance with an advisory agreement between Xemoto and FMI Capital Markets Inc., dated February 28, 2023; and 360,000 Xemoto Shares were issued 2763168 Ontario Inc. for services provided to Xemoto;
(5) On June 8, 2023**,** Xemoto issued 45,055,001 Xemoto Shares in connection with a private placement of Xemoto Shares at a price of $0.01 per Xemoto Share. 3,604,400 Xemoto Broker Warrants issuable to Foundation Markets Inc. in association with this private placement were cancelled pursuant to a waiver agreement dated June 8, 2023 between Xemoto and Foundation Markets Inc.
(6) On June 9, 2023 Xemoto issued an aggregate of 11,747,888 Xemoto Shares in connection with: (i) the settlement of an amount of $100,000

comprised of certain outstanding fees for services provided by vendors through the issuance of 10,000,000 Xemoto Shares at a deemed issue price of $0.01 per Xemoto Share; (ii) 427,531 Xemoto Shares to certain executives in connection with temporary salary reduction at a deemed issue price of $0.01 per Xemoto Share; (iii) 320,357 Xemoto Shares to certain executives in connection with bridging Xemoto's financial needs at a deemed issue price of $0.01 per Xemoto Share; and (iv) settling an amount of $10,000 comprised of certain outstanding fees for services provided by vendors through the issuance of 1,000,000 Xemoto Share at a deemed issue price of $0.01 per Xemoto Share.
(7) On July 4, 2023, 8,900,000 Xemoto Shares were issued in connection with a private placement of Xemoto Shares at a price of $0.01 per Xemoto Share. 712,000 Xemoto Broker Warrants issuable to Foundation Markets Inc. in association with this private placement were cancelled pursuant to a waiver agreement dated July 4, 2023, between Xemoto and Foundation Markets Inc.
(8) On August 23, 2023, Xemoto issued 100 Xemoto 2023 Convertible Debentures at a price of $1,000 per Xemoto 2023 Convertible Debenture. Please see “Description of the Securities – Convertible Debentures of the Resulting Issuer” for additional information.
(9) On October 13, 2023, Xemoto's former CEO resigned pursuant to a voluntary separation agreement. Pursuant to the terms of the separation agreement, the former CEO received 2,000,000 Xemoto Shares at price of $0.01 per Xemoto Share and had 900,000 Xemoto RSUs immediately vest and be converted into Xemoto Shares at a price of $0.05 per Xemoto Share.
(10) 5,000,000 Xemoto Options were issued to Brandon Mina pursuant to the terms of the employment agreement between Xemoto and Brandon Mina dated October 13, 2023. These Xemoto Options have the following exercise prices: 1,666,666 at $0.02 per Xemoto Share; 1,666,666 at $0.035 per Xemoto Share; and 1,666,667 at $0.04 per Xemoto Share.
(11) These figures have not been adjusted in accordance with the Share Exchange Ratio.
(12) 400,000 Xemoto Shares were issued to Milan Plentai pursuant to the terms of a debt conversion agreement between Xemoto and Milan Plentai dated October 23, 2023.
(13) On November 16, 2023, 15,750,000 Xemoto Shares were issued in connection with a private placement of Xemoto Shares at a price of $0.01 per Xemoto Share. 1,260,000 Xemoto Broker Warrants issuable to Foundation Markets Inc. in association with this private placement were waived pursuant to a waiver agreement dated November 16, 2023 between Xemoto and Foundation Markets Inc.
(14) On November 29, 2023, Xemoto issued a total of 2,410,000 Xemoto Shares to Brainy Yack Internet Solutions Ltd. (1,710,000 Xemoto Shares) and RunSmart Inc. (700,000 Xemoto Shares), with respect to a services agreement between Xemoto and Brainy Yack Internet Solutions Ltd. dated October 20, 2022 and a debt settlement agreement between Xemoto and RunSmart Inc. dated November 29, 2023, respectively.
(15) On January 12, 2024, an aggregate of 4,000,000 Xemoto Options were granted to Brian Presement, Adam Szweras, Jeremy Goldman, Randall Craig and Jillian Bannister. These Xemoto Options vested immediately and are convertible into Xemoto Shares at an exercise price of $0.01125. These Xemoto Options expire on January 12, 2029.
(16) On January 12, 2024, an aggregate of 3,990 ,000 Xemoto Options were granted to Brian Presement, Adam Szweras, Jeremy Goldman, Randall Craig, Jillian Bannister, Brandon Mina and Andres Tinajero. These Xemoto Options vest on January 12, 2025, and are convertible into Xemoto Shares at an exercise price of $0.01125. These Xemoto Options expire on January 12, 2029.
(17) In satisfaction of $10,000 owing to each of Andres Tinajero, Jeremy Goldman, Brian Presement, and Randall Craig for services performed for Xemoto, on January 12, 2024 Xemoto issued an aggregate of 4,000,000 Xemoto Shares at a deemed issue price of $0.01 per Xemoto Share.
(18) On January 12, 2024, an aggregate of 2,000,000 Xemoto Options were granted to Vanessa Garro-Peeters, Roham Kumar, Gal Benron and Kelly Termeer. These Xemoto Options vest as follows: 1/3 immediately; 1/3 on January 12, 2025; and 1/3 on January 12, 2026. These Xemoto Option are convertible into Xemoto Shares at an exercise price of $0.01125 and shall expire on January 12, 2029.
(19) On February 2, 2024, an aggregate of 2,000,000 UPI Options were granted to Jeff Berman (1,000,000), Al Quong (500,000) and Brian Illion (500,000) as compensation for serving as directors and/or officers of UPI. These UPI Options vested immediately on January 12, 2024, and are convertible into UPI Shares at an exercise price of $0.05. These UPI Options expire on February 2, 2026.
(20) On March 15, 2024, Xemoto closed a private placement of convertible debenture units at a price of $1,000 per unit for gross proceeds of $300,000. Each convertible debenture unit consisted of a Xemoto 2024 Convertible Debenture and 100,000 Xemoto Warrants. Please see “Description of the Securities – Convertible Debentures of the Resulting Issuer” for additional information.
(21) 5,000,000 Xemoto Options were issued to John Beresford pursuant to the terms of the employment agreement between Xemoto and John Beresford dated April 4, 2024. These Xemoto Options have the following exercise prices: 1,666,666 at $0.02 per Xemoto Share; 1,666,666 at $0.035 per Xemoto Share; and 1,666,667 at $0.04 per Xemoto Share. These Xemoto Options vest as follows: 500,000 Xemoto Options vest immediately and 500,000 Xemoto Options vest every 12 months thereafter until fully vested. These Xemoto Options expire on April 4, 2029.
(22) On April 26, 2024 an aggregate of 1,400,000 Xemoto Options (200,000 Xemoto Options each) were granted to Brian Presement, Randall Craig, Jillian Bannister, Jeremy Goldman, Marc Lakmaaker, Adam Szweras and Vanessa Garro-Peeters, as compensation for current or past service as director/officer/manager or Xemoto. These Xemoto Options vested on April 26, 2024, have an exercise price of $0.01125, and expire on April 26, 2029.
(23) On April 26, 2024, an aggregate of 4,444,444 Xemoto Options were granted to Cameron Battley (1,111,111 Xemoto Options), Bart Piwowar (1,111,111 Xemoto Options), and Brian Wyatt (2,222,222 Xemoto Options), as compensation for their service on the advisory board of Xemoto. These Xemoto Options vest according to the following schedule: 1/3 of the Xemoto Options vest April 26, 2024; 1/3 of the Xemoto Options vest October 26, 2024; and the remaining 1/3 of the Xemoto Options vest April 26, 2025. These Xemoto Options have an exercise price of $$0.01125 and expire on April 26, 2029.
(24) On February 26, 2024, an aggregate of 225,000 UPI Options were granted to Miranda Aubin for services performed for UPI. These options vest according to the following vesting schedule: 112,500 UPI Options will vest on February 26, 2025, and 112,500 UPI Options will vest February 26, 2026 until all UPI Options are vested. With respect to exercise price, 1/3 of these UPI Options will have an exercise price of $0.06 per share, 1/3 will have an exercise price of $0.08 per share and 1/3 will have an exercise price of $0.10 per share. These options expire on February 26, 2029.

11.2 Trading price and volume

The following table sets out the high and low trading prices, as well as the trading volume, for the UPI Shares on the TSXV for the periods indicated.

Trading Price and Volume			
Period	**High ($)**	**Low ($)**	**Total Volume**
January 2024	0.030	0.030	-
December 2023	0.030	0.030	-
November 2023	0.030	0.030	-
October 2023	0.030	0.030	-
September 2023	0.030	0.030	560,950
August 2023[(1)]	0.035	0.025	1,080,000
July 2023	0.045	0.035	4,410,000
June 2023	0.050	0.035	2,170,000
May 2023	0.050	0.035	624,420
April 2023	0.045	0.035	536,990
March 2023	0.050	0.035	951,990
February 2023	0.060	0.045	1,520,000
January 2023	0.060	0.045	928,820

Notes:
(1) UPI was transferred to the NEX Board of the TSXV, effective August 3, 2023.

12. ESCROWED SECURITIES

12,012,327 Resulting Issuer securities are subject to restrictions on resale and/or escrow, including the securities to be issued to principals, which will be subject to the following escrow release schedule:

10% of the escrowed Resulting Issuer Shares will be released by the escrow agent on the date of the listing on the Exchange followed by six subsequent releases of 15% every six months thereafter.

Designation of Class of Securities of the Resulting Issuer	Number of Securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Common Shares	9,037,979	9.91%
Warrants	2,794,348	22.19%
RSUs	180,000	57.14%

The following table sets out all of the holders of the securities of the Resulting Issuer that are subject to the Escrow Agreement:

Name of Shareholder	Number and Type of Securities held pursuant to the Escrow Agreement	Percentage of class
2674779 Ontario Limited [(1)]	3,221,680 (Resulting Issuer Shares) 1,189,049 (Resulting Issuer Warrants)	3.53% (Resulting Issuer Shares) 9.44% (Resulting Issuer Warrants)
2674775 Ontario Limited [(2)]	1,265,842 (Resulting Issuer Shares) 626,549 (Resulting Issuer Warrants)	1.39% (Resulting Issuer Shares) 4.97% (Resulting Issuer Warrants)
2838328 Ontario Limited [(3)]	1,125,000 (Resulting Issuer Shares) 562,500 (Resulting Issuer Warrants)	1.23% (Resulting Issuer Shares) 4.47% (Resulting Issuer Warrants)
Randall Craig	912,044 (Resulting Issuer Shares) 112,500 (Resulting Issuer Warrants) 45,000 (Resulting Issuer RSUs)	1.00% (Resulting Issuer Shares) 0.89% (Resulting Issuer Warrants) 14.29% (Resulting Issuer RSUs)
Jeremy Goldman	550,641 (Resulting Issuer Shares) 45,000 (Resulting Issuer Warrants) 45,000 (Resulting Issuer RSUs)	0.6% (Resulting Issuer Shares) 0.36% (Resulting Issuer Warrants) 14.29% (Resulting Issuer RSUs)
2222263 Ontario Inc. [(4)]	67,500 (Resulting Issuer Shares) 33,750 (Resulting Issuer Warrants)	0.07% (Resulting Issuer Shares) 0.28% (Resulting Issuer Warrants)
Adam Szweras	545,272 (Resulting Issuer Shares)	0.60% (Resulting Issuer Shares)
Daphne Hoffenberg-Szweras [(5)]	450,000 (Resulting Issuer Shares) 225,000 (Resulting Issuer Warrants)	0.49% (Resulting Issuer Shares) 1.79% (Resulting Issuer Warrants)
Brian Presement	45,000 (Resulting Issuer RSUs) 225,000 (Resulting Issuer Shares)	14.29% (Resulting Issuer RSUs) 0.25% (Resulting Issuer Shares)
Jillian Bannister	45,000 (Resulting Issuer RSUs) 225,000 (Resulting Issuer Shares)	14.29% (Resulting Issuer RSUs) 0.25% (Resulting Issuer Shares)

Andres Tinajero	225,000 (Resulting Issuer Shares)	0.25% (Resulting Issuer Shares)
Brandon Mina	112,500 (Resulting Issuer Shares)	0.12% (Resulting Issuer Shares)
CFO Advantage Inc. (6)	112,500 (Resulting Issuer Shares)	0.12% (Resulting Issuer Shares)

Notes:
(1) This is an entity owned by Brian Presement, a proposed Director of the Resulting Issuer.
(2) This is an entity owned by Adam Szweras, a proposed Director of the Resulting Issuer, and Daphne Szweras, Mr. Szweras' wife.
(3) Jillian Bannister, a proposed Director of the Resulting Issuer, is a principal of this entity.
(4) This is an entity owned by Andres Tinajero, a proposed Director of the Resulting Issuer.
(5) Adam Szweras, a proposed Directors of the Resulting Issuer, directly or indirectly controls these securities through his wife.
(6) Kyle Appleby, the proposed CFO of the Resulting Issuer, is the principal of this entity.

13. PRINCIPAL SHAREHOLDERS

Following completion of the Transaction, no person beneficially owns, directly or indirectly, or exercises control or direction over 10% or more of the Resulting Issuer Shares.

14. DIRECTORS AND OFFICERS

14.1 Name, occupation, and security holding

The following table sets forth the names of all directors and officers of the Resulting Issuer, their municipalities of residence, their positions with the Resulting Issuer, their principal occupations during the past five years and the number and percentage of shares beneficially owned, directly or indirectly, or over which control or direction is exercised as at the date of this Listing Statement:

Name, province or state and country of residence and proposed position with the Resulting Issuer	Principal occupation during past five years	Director or Officer of Resulting Issuer Since	Number of Resulting Issuer Shares (5)	Percentage of Outstanding Issuer Shares
Brandon Mina Toronto, Ontario, Canada (CEO and Director)	Chief Executive Officer of Xemoto Media Ltd. (October 2023 – Present). Founder and Chief Executive Officer of Pirate Creative Co. (2021 – Present). Chief Marketing Officer of Kaizoku Co. (2021 – Present). Chief Marketing Officer of Motion 20 (2021 – Present). Marketing and Communications Coordinator for the Ontario Mutual Insurance Association (2015 – 2021).	Closing Date	112,500	0.12%

Name, province or state and country of residence and proposed position with the Resulting Issuer	Principal occupation during past five years	Director or Officer of Resulting Issuer Since	Number of Resulting Issuer Shares [5]	Percentage of Outstanding Issuer Shares
Kyle Appleby Toronto, Ontario, Canada (CFO, Corporate Secretary and Executive VP Finance)	President and Chief Executive Officer of CFO Advantage Inc. (2020 – Present) Provider of Fractional CFO Services.	Closing Date	112,500[6]	0.12%
Adam Szweras Toronto, Ontario, Canada (Chairman)	Counsel at Fogler, Rubinoff LLP (2006 – Present). Chairman of Foundation Markets Group (2006 – Present). Executive Chairman of Xemoto Media Ltd. (2021 – Present).	Closing Date	2,261,114 [1]	2.47%
Brian Presement Toronto, Ontario, Canada (Director)	President and Chief Executive Officer of Unite Communications Inc. (2001 – Present). President and Founder of TextMeAnywhere (2020 – Present). Director, Caprock Mining Corp. (2021 – 2023). Co-Founder and Executive Chairman of Xemoto Media Ltd. (2019 – Present). Director and Co-Founder of Plexus Cybermedia Inc. (2016 – Present). Director of Xemoto Media Ltd. (2021 – Present).	Closing Date	3,446,680[2]	3.77%

Name, province or state and country of residence and proposed position with the Resulting Issuer	Principal occupation during past five years	Director or Officer of Resulting Issuer Since	Number of Resulting Issuer Shares (5)	Percentage of Outstanding Issuer Shares
Andres Tinajero Toronto, Ontario, Canada (Director)	Chief Financial Officer, Talisker Resources Ltd. (formerly Eurocontrol Technics Group Inc.) (2012 – Present). Director, Caprock Mining Corp. (2021 – 2023). Former Director, Nutritional High International Inc. (April 2017 - November 2019). Former CFO, Millennial Precious Metals (April 2021 to May 2023) and Barkerville Gold Mines Ltd. (July 2015 - November 2019).	Closing Date	292,500 (3)	0.32%
Randall Craig Toronto, Ontario, Canada (Director)	Chief Executive Officer of Pinetree Advisors Inc. (2003 – Present). Chief Executive Officer of Braintrust Professional Institute from (2017 – Present). Chief Executive Officer of 108 Ideaspace Inc. (2012-2020). Director of Xemoto Media Ltd. (2021 – Present).	Closing Date	912,044	1%
Jeremy Goldman Toronto, Ontario, Canada (Director)	Chief Operating Officer (2023 - Present) and Director of Xemoto Media Ltd. (2021 – Present). Chief Financial Officer of Sensei Labs Inc. (2020-2023). Director, Caprock Mining Corp. (2021 – 2023). Vice President, Finance, Klick Inc. (2018-2020). Chief Executive Officer, Vaster Inc. (2016-2018).	Closing Date	550,641	0.60%

Name, province or state and country of residence and proposed position with the Resulting Issuer	Principal occupation during past five years	Director or Officer of Resulting Issuer Since	Number of Resulting Issuer Shares (5)	Percentage of Outstanding Issuer Shares
Jillian Bannister New York, New York, USA (Director)	Chief Executive Officer of Ext. Marketing Inc. (2020 – Present). Director of Xemoto Media Ltd. (2021 – Present).	Closing Date	1,350,000 (4)	1.48%
Vanessa Garro-Peeters Toronto, Ontario (Vice President of Customer and Influencer Success)	Vice President, Customer and Influencer Success of Xemoto Media Ltd. (2023-Present) Director of Customer and Partner Success of Xemoto Media Ltd. (2022-2023) Director of Customer Success of Enghouse Systems Ltd. (2021-2022) Sales and Marketing Manager of Genera Networks (2018-2021)	Closing Date	Nil	Nil
John Beresford Waterloo, Ontario (Chief Revenue Officer)	Co-Founder and CEO of Socialpeeks (2014 – Present) Professor (Adjunct) of Entrepreneurship and Innovation at Wilfred Laurier University (2014 - Present) Revenue Consultant at SoftwareSelect (June 2023 – April 2024) Vice President of Sales at CXApp (September 2020 – March 2023) Managing Partner and Training Developer at The Revenue U (February 2015 – January 2023)	Closing Date	Nil	Nil

Notes:
(1) The 2,261,114 Resulting Issuer Shares controlled directly or indirectly by Adam Szweras as are made up of: 545,272 Resulting Issuer Shares held by directly Adam Szweras; 450,000 Resulting Issuer Shares held indirectly through Ms. Szweras; and 1,265,842 Resulting Issuer Shares held indirectly through 2674775 Ontario Limited, an entity owned by Mr. Szweras and Ms. Szweras.
(2) The 3,446,680 Resulting Issuer Shares controlled directly or indirectly by Brian Presement are made up of: 225,000 Resulting Issuer Shares held directly by Brian Presement, and 3,221,680 Resulting Issuer Shares held by 2674779 Ontario Limited, an entity owned by Brian Presement.
(3) The 292,500 Resulting Issuer Shares controlled directly or indirectly by Andres Tinajero are made up of: 225,000 Resulting Issuer Shares held directly by Andres Tinajero, and 67,500 Resulting Issuer Shares held by 2222263 Ontario Limited, an entity owned by Mr. Tinajero.
(4) Jillian Bannister holds 225,000 Resulting Issuer Shares directly, and 1,125,000 Resulting Issuer Shares indirectly through 2838328 Ontario Limited, an entity where she is a principal.
(5) These figures have been adjusted in accordance with the Share Exchange Ratio.
(6) The 112,500 Resulting Issuer Shares are held by CFO Advantage Inc., an entity owned by Mr. Appleby.

14.2 Cease Trade Orders or Bankruptcies

Other than as disclosed herein, to the knowledge of the Resulting Issuer, no director, officer or shareholder holding a sufficient number of securities to materially affect the control of the Resulting Issuer is, as of the date of this Listing Statement or was within ten years before the date hereof, a director, CEO or CFO of any company that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that:

(a) was issued while the proposed director was acting in the capacity as director, CEO or CFO; or

(b) was issued after the proposed director ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO.

Other than as disclosed herein, no director, officer or shareholder holding a sufficient number of securities to materially affect the control of the Resulting Issuer:

(a) is, as of the date of this Listing Statement or was within ten years before the date hereof, a director, CEO or CFO of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within ten years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Adam Szweras, the proposed Executive Chairman of the Resulting Issuer, was appointed as a director for Mahdia on April 14, 2016. Mahdia was a CSE listed company until February 4, 2016. Mahdia has been subject to a cease trade order since March 13, 2015, due to not filing its financial statements in accordance with NI 51-102. Mahdia was subject to the cease trade order prior to Mr. Szweras' appointment, and he resigned as a director of Mahdia on May 28, 2018.

Mr. Szweras was appointed as a director of Harborside on May 30, 2019. On June 9, 2020, the Ontario Securities Commission (the "**OSC**") granted Harborside a management cease trade order in respect of the delayed filing of its financial statement for the year ended December 31, 2019, due to the continued impact of COVID-19. In addition, the OSC issued a temporary cease trade order in connection with Harborside's previously announced proposed refiling of certain historical financial statements for the fiscal years ended December 31, 2017, and 2018, and the interim periods ended March 31, 2019, June 30, 2019, and September 30, 2019, due primarily to changes in the application of accounting treatments related to certain transactions by its reverse takeover acquirer, FLRish Inc. The annual filings and restated financial statements were filed, and the cease trade order was revoked effective August 31, 2020.

Mr. Szweras was the executive chairman and director of Vertical Peak (formerly High Fusion Inc.). On December 3, 2021, the OSC issued a cease trade order due to Vertical Peak not filing its annual financial statements for the year ended July 31, 2021, in accordance with NI 51-102. The financial statements were filed and the cease trade order was revoked effective December 15, 2021. Subsequently, on December 31, 2021, the OSC granted Vertical Peak a management cease trade order in respect of the delayed filing of its financial statements for the three-month period ended October 31, 2021, due to the complexity associated with consolidating the purchase of the assets and business of OutCo Labs Inc. which Vertical Peak completed on August 31, 2021. The financial statements were filed, and the cease trade order was revoked effective January 21, 2022. Mr. Szweras resigned as executive chairman and director of Vertical Peak on November 6, 2023. On November 30, 2023, Vertical Peak was petitioned into bankruptcy, and on December 5, 2023, the OSC once again issued a cease trade order due to Vertical Peak not filing its annual financial statements and associated MD&A for the year ended July 31, 2023, in accordance with NI 51-102. This cease trade order is currently in effect.

Jeremy Goldman, a proposed director of the Resulting Issuer, was appointed as a director of Rigel (formerly, Tele-find Technologies Inc.), on April 5, 2017. As at May 19, 2009, prior to Mr. Goldman's appointment as director, Rigel had been under cease trade orders from the OSC, the British Columbia Securities Commissions (the "**BCSC**") and the Alberta Securities Commissions (the "ASC"), for failure to file the annual financial statements and accompanying MD&A and certification of annual filings for the year ended December 31, 2008. As a result, the company was not able to carry out any financing activities. On November 9, 2017, Rigel received an order from the OSC and BCSC that the cease trade order had been revoked as all requirements necessary to obtain the order had been satisfied. On November 10, 2017, Rigel also received an order from the ASC that the cease trade order issued had been revoked as all requirements necessary to obtain the order had been satisfied.

Kyle Appleby, the proposed CFO and Corporate Secretary of the Resulting Issuer, was appointed as CFO of Nuinsco Resources Limited on May 4, 2015. On May 5, 2016, the OSC issued a cease trade order against Nuinsco Resources Limited for failing to file, for the year ended December 31, 2015, annual audited Financial Statements, annual Management's Discussion and Analysis and certifications for the foregoing filings. Kyle Appleby was the CFO of Nuinsco Resources Limited at the relevant time. The cease trade order against Nuinsco Resources Limited was revoked on August 4, 2016.

Mr. Appleby is the CFO of Tantalex Resources Corp. which was issued a cease-trade order by the OSC on August 19, 2020 for failure to file its financial statements and management's discussion and analysis for the financial year ended February 29, 2020. The cease-trade order was revoked by the OSC on November 13, 2020.

Mr. Appleby is the CFO of Cadillac Ventures Inc. which was issued a cease-trade order by the OSC on October 4, 2021, for failure to file its financial statements and management's discussion and analysis for the financial year ended May 31, 2021. As of the date of this Listing Statement, the cease-trade order remains outstanding.

Mr. Appleby is the CFO of Eastower Wireless Inc. which is subject to a failure-to-file cease trade order issued by the regulator or securities regulatory authority in each of British Columbia (the Principal Regulator) and Ontario (each a Decision Maker) respectively on May 8, 2023. As of the date of this Listing Statement, the cease-trade order remains outstanding.

Mr. Appleby is the CFO of Empower Clinics Inc., which was issued a management cease trade order by the British Columbia Securities Commission (BCSC) on May 3, 2022. The management cease trade order was issued in connection with the delay by Empower Clinics Inc. in filing its annual financial statements, management's discussion and analysis and related officer certifications for the financial year ended December 31, 2021 before the prescribed deadline of May 2, 2022. On August 2, 2022 Empower Clinics Inc. was issued a failure-to-file cease trade order by the BCSC for failing to file its financial statements and associated management's discussion and analysis for the year ended December 31, 2021. The cease trade order was revoked by the BCSC on November 7, 2022. On August 14, 2023, Empower Clinics Inc. was issued a failure-to-file cease trade order by the BCSC for failing to file its financial statements and associated management's discussion and analysis for the year ended December 31, 2022. This failure-to-file cease trade order remains outstanding as of the date of this Listing Statement.

Mr. Appleby was the CFO of UpSnap, Inc. since his appointment on September 1, 2021. On January 18, 2024, UpSnap, Inc. filed an assignment in bankruptcy, and on January 19, 2024, Mr. Appleby resigned from his position as CFO of UpSnap, Inc.

Mr. Appleby is the CFO of Captor Capital Corp. which was subject to a cease trade order issued by the OSC on August 7, 2019. The cease trade order was issued as a result of Captor Capital Corp.'s failure to file its audited financial statements and related management's discussion and analysis for the year ended March 31, 2019. The cease trade order was revoked by the OSC on November 11, 2019.

14.3 Conflicts of Interest

The directors of the Resulting Issuer are required by law to act honestly and in good faith with a view to the best interests of the Resulting Issuer and to disclose any interests, which they may have in any project or opportunity of the Resulting Issuer. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the Resulting Issuer’s knowledge, other than disclosed herein, there are no known existing or potential conflicts of interest among the Resulting Issuer or a subsidiary of the Resulting Issuer, a director or officer of the Resulting Issuer, or a subsidiary of the Resulting Issuer as a result of their outside business interests, except that certain of the directors and officers serve as directors and officers of other companies and therefore it is possible that a conflict may arise between their duties to the Resulting Issuer and their duties as a director or officer of such other companies. See Item 18 – *Risk Factors.*

The following table sets out the directors and officers of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers.

Name	Name and Jurisdiction of Reporting Issuer	Name of Exchange or Market	Position	From	To
Adam Szweras	Aurora Cannabis Inc.	CSE	Director	2015-08-10	Present
	Australis Capital Inc.	CSE	Secretary	2018-08-16	2022-04-07
	Petrolympic Ltd.	TSXV	Corporate Secretary	2008-06-16	Present
	Quinsam Capital Corporation	CSE	Director	2017-10-23	2020-08-20

	StateHouse Holdings Inc. (formerly Harborside Inc.)	CSE	Director, Secretary	2011-12-20	2020-11-24
	Universal PropTech Inc.(formerly, Sustainco Inc.)	TSXV	Director	2017-03-06	2020-11-10
	Vertical Peak Holdings Inc. (formerly High Fusion Inc.)	CSE	Director, Chairman, Former CEO	2014-07-07	2023-11-06
	Water Ways Technologies Inc.	TSXV	Director	2014-04-29	2020-08-27
Brian Presement	Water Ways Technologies Inc.	TSXV	CEO	2014-07-11	2019-03-06
	Caprock Mining Corp.	CSE	Director	2021-12-23	2023-11-01
	Universal PropTech Inc.	CSE	Director	2023-02-03	2023-08-10
	Vertical Peak Holdings Inc. (formerly High Fusion Inc.)	CSE	Director	2014-07-07	2023-05-01
	Psyched Wellness Ltd.	CSE	Director	2019-05-31	2020-05-05
Andres Tinajero	New Carolin Gold Corp.	TSXV	Director	2021-09-16	Present
	Caprock Mining Corp.	CSE	Director	2021-12-23	2023-11-01
	Barkerville Gold Mines Ltd.	TSVX	CFO	2015-07-07	2019-11-21

	Vertical Peak Holdings Inc. (formerly High Fusion Inc.)	CSE	Director	2017-04-17	2019-11-30
	Millennial Precious Metals Corp.	TSXV	CEO	2021-04-28	2023-05-04
	Talisker Resources Ltd.	TSX	CFO	2012-08-31	Present
	Sable Resources Inc.	TSXV	Director	2017-07-19	Present
Jeremy Goldman	Caprock Mining Corp.	TSXV	Director	2021-12-23	2023-11-01
	Rigel Technologies Inc.	TSXV	Director	2017-04-05	Present
	Psyched Wellness Ltd.	CSE	Director	2018-10-29	2020-05-05
Kyle Appleby	Captor Capital Corp.	CSE	Director	2014-07-24	Present
	Tarku Resources Ltd. (formerly ITUNA Capital Corporation)	TSXV	Director	2020-09-01	Present
	Avila Energy Corporation	CSE	Director	2020-11-09	2023-05-30
	Free Battery Metal Limited	CSE	CFO	2023-06-07	Present
	Pharmadrug Inc.	CSE	CFO	2023-06-07	Present
	Nuinsco Resources Limited	CSE	CFO	2015-05-04	Present

	SATO Technologies Corp.	TSXV	CFO	2021-09-07	Present
	Spacefy Inc.	CSE	CFO	2018-03-15	Present
	Prospect Park Capital Corp.	CSE	CFO	2014-10-23	2022-03-24
	EasTower Wireless Inc. (formerly OV2 Investment 1 Inc.)	TSXV	CFO	2022-03-11	Present
	Red Light Holland Corp. (formerly, Added Capital Inc.)	CSE	CFO	2020-05-22	2021-11-02
	Swarmio Inc.	CSE	CFO	2021-11-15	2023-11-15
	Hut 8 Mining Corp. (formerly, Oriana Resources Corporation)	TSX; NASDAQ	CFO	2019-10-03	2020-11-30
	Cumberland Resources Nickel Corp. (formerly Jerico Explorations Inc.)	CSE	CFO	2022-12-20	Present
	Dark Star Minerals Inc.	CSE	CFO	2023-02-08	Present
	Spetz Inc.	CSE	CFO	2018-12-15	2021-02-11
	Shiny Health & Wellness Corp. (formerly ShinyBud Corp.)	TSXV	CFO	2021-04-09	2022-01-20
	Tokens.com Corp.	NEO	CFO	2021-04-28	2021-09-01

	Salona Global Medical Device Corporation	TSXV	CFO	2020-08-17	2021-12-03
	Empower Clinics Inc.	CSE	CFO	2020-10-01	2021-12-23
	GBLT Corp.	TSXV	CFO	2020-06-15	2024-04-26
	Weekapaug Lithium Limited (formerly, Eagle I Capital Corporation)	CSE	CFO	2023-02-07	Present
	UpSnap, Inc.	CSE	CFO	2021-09-01	2024-01-19
	Envirogold Global Limited	CSE	CFO	2024-02-22	Present
	Greenway Greenhouse Cannabis Corporation	CSE	CFO	2024-02-21	Present
	Gold Digger Resources	CSE	CFO	2022-11-02	Present
	Hispania Resources	TSXV	CFO	2022-03-31	Present
	Silverton Metals Corp	TSXV	CFO	2022-07-12	2022-11-02
	URU Metals Limited	AIM	Director	2018-03-20	Present
	Sparq Corp.	TSXV	CFO	2021-12-31	Present
	Nurcapital Corp.	TSXV	CFO	2019-09-23	Present
	Adya Inc.	TSXV	CFO	2016-11-15	Present
	Cadillac Ventures Inc.	TSXV	CFO	2018-07-16	Present

	Intrinsic4D Inc.	TSXV	CFO	2015-06-12	2019-06-03
	Bee Vectoring Technologies International Inc.	TSXV	CFO	2015-06-30	Present
	Renforth Resources Inc.	CSE	CFO	2007-02-20	Present
	Tantalex Lithium Resources Corporation	CSE	CFO	2015-03-23	Present

14.4 Management of junior issuers

Biographical information regarding the proposed officers and members of the Resulting Issuer Board is set out below:

Brandon Mina, Chief Executive Officer and Director (Age: 36)

Brandon Mina is the CEO of Xemoto Media Ltd., a performance marketing technology company headquartered in Toronto. Mr. Mina is also Founder, President and CEO of Pirate Creative Co., a boutique marketing agency. Mr. Mina has spent the last decade crafting innovative global media and marketing strategies using his data-driven decision-making skills to drive remarkable results for brands and advertising agencies. Prior to joining Xemoto Media Ltd., Mr. Mina led a consultancy firm where he leveraged innovative growth tactics by executing strategies across healthcare, insurance and entertainment industries. His professional experience also includes: Chief Marketing Officer of Motion 20, an award-winning video production company, and Kaizoku Co., a marketing services company, and various sales and marketing positions at Ontario Mutuals, Best Buy and Boundless Marketing. Mr. Mina is currently enrolled in an MBA program at the University of London, and holds an honour's Bachelor of Arts degree in communication and multimedia from the University of McMaster.

Mr. Mina will be an employee of the Resulting Issuer and devote 100% of his time to same. Mr. Mina and the Resulting Issuer will enter into non-disclosure and non-competition agreements.

Jeremy Goldman, Director (Age: 51)

Mr. Goldman has dedicated over two decades to venture-stage technology and finance. Mr. Goldman's distinguished leadership journey encompasses roles such as CFO of Sensei Labs Inc., CEO at Vaster Inc., COO/CFO at Kooltra, Consultant at Shoplogix, and President/CCO at Foundation Markets Inc., and 20+ years in venture stage technology and finance. Mr. Goldman holds an MBA from York University's Schulich School of Business and is a Chartered Financial Analyst. Mr. Goldman will serve as the Chief Operating Officer of the Resulting Issuer and will devote approximately 25% of his time to same.

Kyle Appleby, Chief Financial Officer and Executive VP of Finance (Age: 49)

Mr. Appleby spent the first 10 years of his career working in public accounting where he worked in both audit and advisory practices and dealt primarily with private companies and investment funds. In 2007, Mr. Appleby left the world of public accounting to focus on providing management, accounting and financial services to public companies across a variety of industries including cannabis, agriculture, technology, mining, crypto-currency and others. Mr. Appleby is the Founder and CFO Advantage Inc., a company that provides chief financial officer, and other financial accounting, reporting and compliance services to companies in various industries. Accordingly, Mr. Appleby has been the CFO for numerous companies listed in Canada, US and London, and has extensive experience in financial reporting, providing strategic direction and leadership, IPOs, fund raising, and corporate governance. He holds a Bachelor of Economics and is a member in good standing of the Chartered Professional Accountants of Ontario.

Mr. Appleby will be a contractor of the Resulting Issuer and devote 25% of his time to same. Mr. Appleby and the Resulting Issuer have entered into non-disclosure and non-competition agreements.

Adam Szweras, Executive Chairman (Age: 52)

Adam Szweras, the Executive Chairman of Xemoto Media Ltd., is also the founder and chairman of Foundation Markets Inc., a Toronto merchant bank and exempt market dealer, and a member of the Securities law group of Toronto law firm, Fogler, Rubinoff LLP. Mr. Szweras was called to the Bar of Ontario in 1996 and has successfully led Foundation Markets Inc. since its establishment in 2006. His law and banking practices focus on financings and going public transactions, where Mr. Szweras represents several mid-market public companies and assists companies in listing on the Toronto Stock Exchange, the TSXV, and the CSE. He has also represented brokerage firms as legal counsel and has helped numerous clients with their mergers and acquisitions and cross border transactions.

Through Foundation Markets, Mr. Szweras has helped to raise funds for emerging companies. Mr. Szweras sits on the board of Aurora Cannabis and has sat the board of directors of numerous other companies including Harborside Inc., Water Ways Technologies and Quinsam Capital. Mr. Szweras obtained his LLB from Osgoode Hall Law School in June 1994 and previously attended York University.

Mr. Szweras will be a contractor of the Resulting Issuer and will not enter into a non-disclosure nor non-competition agreement with same. Mr. Szweras will devote approximately 20% of his time to the Resulting Issuer.

Vanessa Garro-Peeters, Vice President of Customer and Influencer Success (Age: 42)

Ms. Garro-Peeters has over a decade of experience in technology and marketing, managing client and partner relationships. Ms. Garro-Peeters has worked globally at start-ups in both the Netherlands and Sweden and has spent the last decade building customer success teams in companies of various sizes. Her experience includes Director of Customer Success at a publicly traded company, Enghouse Systems Ltd., as well as Head of Customer Success at Cammio Technologies Inc. Ms. Garro-Peeters has a degree in Sociology and Psychology from the University of Western Ontario.

Ms. Garro-Peeters will be an employee of the Resulting Issuer and is bound by non-disclosure and non-competition covenants with respect to same. Ms. Garro-Peeters will devote 100% of her time to the Resulting Issuer.

Andres Tinajero, Director (Age: 50)

Mr. Tinajero has over 20 years of business experience, having supported a broad range of industries, including mining, manufacturing and technology. During the same period, he has served as CFO and Vice President of Finance of several medium sized public companies across Canada. Mr. Tinajero holds a Bachelor of Business degree from San Francisco University and a Master of Business Administration from ITESM University. He is a member of the Canadian Institute of Chartered Professional Accountants, the Certified Practicing Accountants of Australia, and a certified member of the Institute of Corporate Directors.

Mr. Tinajero will neither be an employee nor contractor of the Resulting Issuer and will not enter into a non-disclosure nor non-competition agreement with same. Mr. Tinajero will devote approximately 5% of his time to the Resulting Issuer.

Brian Presement, Director (Age: 54)

Mr. Presement brings over 25 years of expertise in technology and telecommunications, specializing in recurring revenue models. He has held distinguished roles as the Founder, President, and CEO of Unite Communications Corp, the only telecommunications company listed on the Globe and Mail's top 500 fastest growing Canadian companies, the visionary behind TextMeAnywhere, a proprietary web application that transforms a business landline, VoIP, or toll-free numbers into a textable numbers, and was a Co-Founder and Director at Plexus Cybermedia Inc., which has since integrated into Ext. Marketing Inc. Mr. Presement holds a Bachelor of Arts degree in communications from York University.

Mr. Presement will neither be an employee nor contractor of the Resulting Issuer and will not enter into a non-disclosure nor non-competition agreement with same. Mr. Presement will devote approximately 5% of his time to the Resulting Issuer.

Jillian Bannister, Director (Age: 50)

Ms. Bannister has over two decades of expertise in financial services marketing. For the past 13-years, Ms. Bannister has been CEO of Ext. Marketing Inc., and prior to that held senior marketing and sales roles at an early stage fintech company and Franklin Templeton Investments. Ms. Bannister has obtained a master's degree in international relations from the London School of Economics, and a Bachelor of Arts degree from Western University.

Ms. Bannister will neither be an employee nor contractor of the Resulting Issuer and will not enter into a non-disclosure nor non-competition agreement with same. Ms. Bannister will devote approximately 5% of her time to the Resulting Issuer.

Randall Craig, Director (Age: 60)

Mr. Craig brings over three decades of expertise in digital strategy, marketing, and technology to the table. Currently CEO of Pinetree Advisors Inc., and the Braintrust Professional Institute, both marketing strategy and digital technology consulting firms, and, a marketing strategy and digital technology consultant, Mr. Craig's previous leadership stints include being the CEO of 108 Ideaspace Inc., SVP at Sapiens Americas, CEO at Internet Marketing Associates Inc., and leadership roles at KPMG. Mr. Craig has achieved the following professional designations: *CFA*, *FCMC*, and CSP, and holds an MBA from the Rotman School of Management at the University of Toronto, as well as an honours degree in business administration from the Ivey Business School at Western University.

Mr. Craig will neither be an employee nor contractor of the Resulting Issuer and will not enter into a non-disclosure nor non-competition agreement with same. Mr. Craig will devote approximately 5% of his time to the Resulting Issuer.

John Beresford, Chief Revenue Officer (Age: 47)

Mr. Beresford was the Co-founder and Chief Executive Officer of Socialpeeks, an influencer marketing analytics technology company founded in 2014.

For over 20 years Mr. Beresford has been dedicated to building successful Canadian technology companies. Mr. Beresford has experience working with public companies as the Vice President of Global Sales at Inpixon (NASDAQ), where he secured deals with numerous Fortune 1000 companies, and during his 10 years of leading sales and marketing teams at BlackBerry (NYSE).

An Adjunct Professor of Entrepreneurship and Innovation at Wilfrid Laurier University for over 10 years, Mr. Beresford is also an Entrepreneur in Residence at several Canadian start-up incubators. In 2015, Mr. Beresford Co-founded The Revenue U, an education company delivering marketing validation and sales training to hundreds of technology companies. Mr. Beresford has an MBA from Wilfrid Laurier University and a B.Sc. from Memorial University of Newfoundland.

Mr. Beresford will be an employee of the Resulting Issuer and will enter into a non-disclosure nor non-competition agreement with same. Mr. Beresford will devote approximately 100% of his time to the Resulting Issuer.

14.5 Period of Service of Directors

Brandon Mina, Adam Szweras, Brian Presement, Andres Tinajero, Randall Craig, Jeremy Goldman, and Jillian Bannister were appointed upon completion of the Transaction. The term of each director will expire on the date of the next annual general meeting, unless his or her office is earlier vacated, or he or she is removed in accordance with the Resulting Issuer's articles and the OBCA.

14.6 Directors and Officers Common Share Ownership

As of the date of this Listing Statement, the directors and executive officers of the Resulting Issuer, beneficially own, directly or indirectly, or over which control or direction is exercised, as a group, 9,037,979 Resulting Issuer Shares, representing approximately 9.91% of all outstanding voting securities of the Resulting Issuer on a non-dilutive basis.

15. EXECUTIVE COMPENSATION

The following summary compensation table provides a summary of the compensation proposed to be paid to the Named Executive Officers and directors for the twelve-month period following the Closing of the Transaction:

Summary Compensation Table

The following table discloses the anticipated compensation for the Resulting Issuer's proposed Named Executive Officers for the twelve-month period following the completion of the Transaction:

Name and principal position	Year	Salary, Consulting Fee, Retainer or Commission ($)	Bonus ($) (1)	Committee or meeting fees ($)	All other compensation ($)	Total compensation ($)
Brandon Mina, CEO	2024	140,000	-	-	6,156 (2)	146,156
Kyle Appleby, CFO and Executive Vice President, Finance	2024	36,000	-	-	-	36,000
John Beresford CRO	2024	140,000 (3)	10% of gross sales revenue generated by Mr. Beresford and his sales team in 2024, up to a maximum of a $100,000.	-	6,156 (4)	206,156 (Maximum) – 146,156 (Minimum)

Notes:
(1) It is not anticipated that a bonus will be paid for the 12 months period following the Closing of the Transaction, but this remains subject to the discretion of the Resulting Issuer Board and pursuant to the employment agreements between Xemoto and Kyle Appleby and Jeremy Goldman, respectively. Pursuant to the employment agreement between Xemoto and Brandon Mina dated October 13, 2023, Mr. Mina is eligible to receive a bonus of up to 100% of his salary based on milestones developed by the Resulting Issuer Board.
(2) On January 12, 2024, Mr. Mina was granted 128,250 Resulting Issuer Options exercisable for 5 years with an exercise price of $0.05. The Resulting Issuer Options vest 12 months from the date of grant. The Resulting Issuer Options were valued using the Black-Scholes option pricing model using the following assumptions: stock price $0.05, annualized volatility 183.02% (based on comparable companies), annual dividend rate 0% and a discount rate of 3.28%.
(3) The $140,000 figure is less applicable deductions, income taxes, and withholdings, and can increase to up to $200,000 if Mr. Beresford achieves $1,000,000 in gross sales revenue in fiscal 2024 with a blended gross margin (determined based on typical business practices for similar companies) of at least 40%.
(4) On April 4, 2024, Mr. Beresford was granted 128,250 Resulting Issuer Options exercisable for 5 years with an exercise price of $0.05. The Resulting Issuer Options vest 12 months from the date of grant. The Resulting Issuer Options were valued using the Black-Scholes option pricing model using the following assumptions: stock price $0.05, annualized volatility 183.02% (based on comparable companies), annual dividend rate 0% and a discount rate of 3.28%.

Compensation Discussion and Analysis

The Resulting Issuer's Board is responsible for determining compensation for the Resulting Issuer's officers and directors.

When determining compensation policies and individual compensation levels for the Resulting Issuer's officers, a variety of factors will be considered including: the overall financial and operating performance of the Resulting Issuer; each officer's individual performance and contribution towards meeting corporate objectives; each officer's level of responsibility and length of service; and industry comparable.

Award Grants

The Resulting Issuer may grant awards to its directors, officers, and consultants, as applicable, pursuant to a Resulting Issuer Plan. However, details respecting any such award grant will be at the discretion of the Resulting Issuer Board.

Pension Plan Benefits

The Resulting Issuer does not intend to implement any deferred compensation plan or pension plan that provides for payments or benefits at, following, or in connection with retirement.

External Management Companies

None of the NEOs or directors of the Resulting Issuer have been retained or employed by an external management company which has entered into an understanding, arrangement or agreement with the Resulting Issuer to provide executive management services to the Resulting Issuer, directly or indirectly.

Compensation Policies and Risk Management

The Resulting Issuer Board will consider the implications of the risks associated with the Resulting Issuer's compensation policies and practices when determining rewards for its officers. The Resulting Issuer Board intends to review at least once annually the risks, if any, associated with the Resulting Issuer's compensation policies and practices at such time.

Executive compensation will be comprised of short-term compensation in the form of a base salary (in the case of executive officers) and long-term ownership through the granting of awards and the ownership of Resulting Issuer Shares. Although it is not anticipated that a bonus will be paid for the twelve -month period following the Closing of the Transaction, this remains subject to the discretion of the Resulting Issuer Board. Director compensation may be comprised of annual fees for attending meetings of the Resulting Issuer Board or for acting as chairs of committees of the Resulting Issuer Board, in addition to granting of awards at the discretion of the Resulting Issuer Board.

This structure will ensure that a significant portion of executive and director compensation is both long-term and "at risk" and, accordingly, is directly linked to the achievement of business results and the creation of long-term shareholder value. As the benefits of such compensation, if any, will not be realized by optionees until a significant period of time has passed, the ability of officers to take inappropriate or excessive risks that are beneficial to their short-term compensation at the expense of the Resulting Issuer and the Resulting Issuer Shareholders will be extremely limited. Furthermore, the short-term component of executive and director compensation (base salary/director fees) will represent a relatively small part of the total compensation. As a result, it is unlikely an officer or director would take inappropriate or excessive risks at the expense of the Resulting Issuer or the Resulting Issuer Shareholders that would be beneficial to their short-term compensation when their long-term compensation might be put at risk from their actions.

Due to the size of the Resulting Issuer and the anticipated level of its activity, the Resulting Issuer Board will be able to closely monitor and consider any risks which may be associated with the Resulting Issuer's compensation policies and practices. Risks, if any, may be identified and mitigated through Resulting Issuer Board meetings during which financial and other information of the Resulting Issuer will be reviewed. No risks have been identified arising from the Resulting Issuer's compensation policies and practices that are reasonably likely to have a material adverse effect on the Resulting Issuer.

Option-based Awards

The granting of options will be used to provide share purchase options which are granted in consideration of the level of responsibility of the executive and/or director as well as his or her impact or contribution to the longer-term operating performance of the Resulting Issuer. In determining the number of options to be granted to the executive officers and directors, the Resulting Issuer Board will take into account the number of options, if any, previously granted to each executive officer and/or director, and the exercise price of any outstanding options, to closely align the interests of the executive officers and directors with the interests of the Resulting Issuer Shareholders. The Resulting Issuer Board as a whole has the responsibility to administer the compensation policies related to the executive management of the Resulting Issuer, including option-based awards.

Compensation of Directors

The Resulting Issuer may pay compensation to its directors in the form of annual fees for attending meetings of the Resulting Issuer Board or for acting as chairs of committees of the Resulting Issuer Board. Subject to the discretion of the Resulting Issuer Board, directors will be entitled to receive awards pursuant to the Resulting Issuer Plan, subject to the discretion of the Resulting Issuer Board. Directors will be reimbursed for any out-of-pocket travel expenses incurred in order to attend meetings of the Resulting Issuer Board, committees of the Resulting Issuer Board, or meetings of Resulting Issuer Shareholders. It is also anticipated that the Resulting Issuer will obtain customary insurance for the benefit of its directors and enter into indemnification agreements with its directors pursuant to which the Resulting Issuer will agree to indemnify its directors to the extent permitted by law.

Termination and Change of Control Benefits

The Resulting Issuer is not party to any compensation plan or arrangement with NEOs or directors of the Resulting Issuer which require payments upon the resignation or the termination of employment of such person.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

16.1 Aggregate indebtedness

No existing or proposed director, officer, employee or former director, officer, or employee of the Resulting Issuer or any of its subsidiaries was indebted to the Resulting Issuer within thirty days before the date of this Listing Statement or is currently indebted to the Resulting Issuer.

For information regarding the indebtedness of the Resulting Issuer to the proposed directors, officers, employees or former directors, officers, or employees of the Resulting Issuer, please see the demand promissory notes referenced in Item 23 – Material Contracts.

16.2 Indebtedness under securities purchase and other programs

Not applicable.

17. AUDIT COMMITTEE AND CORPORATE GOVERNANCE

17.1 Audit Committee

Charter of the Audit Committee

The text of the Resulting Issuer's Audit Committee ("**Audit Committee**") charter is attached hereto as Schedule "F".

Composition of the Audit Committee

The Audit Committee will consist of: Andres Tinajero (chair), Adam Szweras and Randall Craig.

Each member, other than Adam Szweras, is considered independent pursuant to NI 52-110. A member of the Audit Committee is considered independent if the member has no direct or indirect material relationship with the Resulting Issuer. A material relationship means a relationship which could, in the view of the board of directors, reasonably interfere with the exercise of a member's independent judgment. Mr. Szweras is not considered independent due to his roles as a securities law partner with Fogler, Rubinoff LLP and Chairman of Foundation Markets Inc., both of which will have material relationships with the Resulting Issuer.

For the purposes of NI 52-110, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements. All members of the Audit Committee have experience reviewing financial statements and dealing with related accounting and auditing issues.

The education and experience of each member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee can be found above at Item 14.4 - *Management of junior issuers*.

Audit Committee Oversight

The Resulting Issuer's Board has a written charter setting forth the responsibilities, powers, and operations of the Audit Committee consistent with NI 52-110. The principal duties and responsibilities of the Resulting Issuer's Audit Committee will be to assist the Resulting Issuer's Board in discharging the oversight of:

- the integrity of the Resulting Issuer's consolidated financial statements and accounting and financial processes and the audits of Xemoto's consolidated financial statements;
- the Resulting Issuer's compliance with legal and regulatory requirements;
- the Resulting Issuer's external auditors' qualifications and independence;
- the work and performance of the Resulting Issuer's financial management and its external auditors; and
- the Resulting Issuer's system of disclosure controls and procedures and system of internal controls regarding finance, accounting, legal compliance, and risk management established by management and the Resulting Issuer's Board.

It is anticipated that the Audit Committee will have access to all books, records, facilities, and personnel and may request any information about the Resulting Issuer as it may deem appropriate. It will also have the authority to retain and compensate special legal, accounting, financial and other consultants, or advisors to advise the Audit Committee. The Audit Committee is also expected to review and approve all related-party transactions and prepare reports for the Resulting Issuer's Board on such related-party transactions as well as be responsible for the pre-approval of all non-audit services to be provided by Xemoto's auditors.

Reliance on Certain Exemptions

The Resulting Issuer is a "venture issuer" as defined in NI 52-110 and will rely upon the exemption in section 6.1 of NI 52-110 in respect of the composition of its Audit Committee and in respect of its reporting obligations under NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee of the Resulting Issuer has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee's charter attached hereto as Schedule "F".

CORPORATE GOVERNANCE PRACTICES

National Instrument 58-101 *Disclosure of Corporate Governance Practices* and National Policy 58-201 - *Corporate Governance Guidelines* sets out a series of guidelines for effective corporate governance. The guidelines address matters such as the composition and independence of a board of directors, the functions to be performed by a board of directors and their committees, and the effectiveness and education of board of directors' members. Each reporting issuer, such as the Resulting Issuer, must disclose on an annual basis and in prescribed form, the corporate governance practices that it has adopted. The following is the Resulting Issuer's required annual disclosure of its corporate governance practices.

Board of Directors

The Resulting Issuer Board will consist of seven (7) directors: Brandon Mina, Brian Presement, Andres Tinajero, Adam Szweras, Randall Craig, Jillian Bannister, and Jeremy Goldman.

Five (5) directors, Brian Presement, Andres Tinajero, Randall Craig, Jeremy Goldman and Jillian Bannister are considered "independent" as defined by National Policy 52-110 respecting Audit Committees. Brandon Mina and Adam Szweras are not considered "independent" within the meaning of National Policy 52-110 respecting Audit Committees since they are part of senior management.

The fact that the majority of members of the Resulting Issuer Board are independent facilitates the exercise of the independence of the Resulting Issuer Board in the supervision of the management of the Resulting Issuer. The independent directors will not hold regular meetings at which non-independent directors and members of management are not present. However, the Resulting Issuer Board, under certain circumstances, will hold meetings without the presence of non-independent directors. In these cases, the independent directors will be able to have frank and open discussions between them.

Orientation and Continuing Education

While the Resulting Issuer currently has no formal orientation and education program for new members of the Resulting Issuer Board, sufficient information (such as recent annual reports, financial statements, management discussion and analysis, proxy solicitation materials, technical reports and various other operating, property and budget reports) will be provided to any new member of the Resulting Issuer Board to ensure that new directors are familiarized with the Resulting Issuer's business and the procedures of the Resulting Issuer Board. As well, new directors will meet with management of the Resulting Issuer to receive a detailed overview of the operations of the Resulting Issuer. All directors will be encouraged to visit and meet with management on a regular basis. The Resulting Issuer will also encourage continuing education of its directors and officers where appropriate in order to ensure that they have the necessary skills and knowledge to meet their respective obligations to the Resulting Issuer.

Ethical business conduct

The Resulting Issuer Board will take on the responsibility of overseeing the competent and ethical operation of the Resulting Issuer. In order to guarantee that the directors exercise their judgment in an independent fashion when examining operations and contracts in which a director or a member of senior management has a significant interest, such transactions shall be reviewed and approved only by directors assembled together in a committee of the Resulting Issuer Board, where the director who has such an interest shall refrain from participating in the discussions and from voting on the matter. In addition, the Resulting Issuer shall take steps to ensure that directors do not undertake any transactions involving the Resulting Issuer's stock when important information is about to be communicated.

In light of the Resulting Issuer's stage of development and its limited number of employees, the Resulting Issuer Board has not taken formal steps to encourage or promote a culture of ethical business conduct. However, the Resulting Issuer will take measures to ensure that the directors, officers, and employees do not trade in the Resulting Issuer's shares at a time when disclosure of material information is pending. Moreover, in this regard, the CEO of the Resulting Issuer will communicate by email with the Resulting Issuer Board and staff to inform them of any period of trading restriction imposed for various reasons. The Resulting Issuer does not currently have a policy against management hedging against the Resulting Issuer's securities.

Nomination of Directors

The Resulting Issuer Board will be responsible for identifying new candidates for nomination to the Resulting Issuer Board. The process by which the Resulting Issuer Board will identify new candidates is through recommendations from members of the Resulting Issuer Board based on corporate law and regulatory requirements as well as relevant education and experience related to the Resulting Issuer's business and status as a reporting issuer.

The Resulting Issuer recognizes and embraces the benefits of having diversity on the Resulting Issuer Board and in its senior management. The Resulting Issuer also recognizes that the Resulting Issuer Board and its senior management appointments must be based on performance, ability, merit and potential. Therefore, the Resulting Issuer will ensure a merit-based competitive process for appointments. The Resulting Issuer's commitment to diversity includes ensuring that diversity is fully considered by the Resulting Issuer Board in identifying, evaluating and recommending Board appointees/nominees. Accordingly, the Resulting Issuer has not adopted a diversity policy at this time.

With respect to the Resulting Issuer Board composition, as appropriate, the Resulting Issuer Board will: (i) assess the effectiveness of the Resulting Issuer Board appointment/nomination process at achieving the Resulting Issuer's diversity objectives; and (ii) consider and, if determined advisable, recommend for adoption, measurable objectives for achieving diversity on the Resulting Issuer Board. At any given time, the Resulting Issuer Board may seek to adjust one or more objectives concerning diversity and measure progress accordingly.

Compensation

None of the members of the Resulting Issuer Board or the executive officers will earn any compensation for services rendered as directors and officers of the Resulting Issuer or in any other capacity except as otherwise disclosed herein. Non-management directors of the Resulting Issuer will not be paid a cash retainer. Directors will be reimbursed for out-of-pocket expenses incurred with such duties.

Assessments

The Resulting Issuer Board will monitor the adequacy of information given to directors, the communications between the Resulting Issuer Board and management and the strategic direction and processes of the Resulting Issuer Board of Directors and its Audit Committee, to satisfy itself that the Resulting Issuer Board, its Audit Committee and its individual directors are performing effectively.

Although the level of representation of members of designated groups is one of many factors taken into consideration in making Resulting Issuer Board and executive officer appointments, emphasis will be placed on hiring or advancing the most qualified individuals. Information presented in this section including the below tables is presented as at the date of this Listing Statement.

Board Committees

Audit Committee

The only committee of the Resulting Issuer will be the Audit Committee. For more information, please see Item 17.1 – Audit Committee as well as the full text of the Audit Committee's charter disclosed in Schedule "F".

Disclosure on Diversity of the Resulting Issuer Board of Directors and Senior Management under the CBCA

Although the level of representation of members of designated groups is one of many factors taken into consideration in making board and executive officer appointments, emphasis is placed on hiring or advancing the most qualified individuals. Information presented in this section including the below tables is presented as at the date of this Circular.

Total number of directors on the Resulting Issuer Board of directors and senior management members

Board of Directors	7
Senior Management	3

Representation of designated groups on the Resulting Issuer Board of directors

Designated Groups	Number	Percentage
Women	1	14%
Indigenous people	Nil	0%
Members of visible minorities	1	14%
Persons with disabilities	Nil	0%
Number of individuals that are members of more than one designated group	Nil	0%

Representation of designated groups on the senior management team

Designated Groups	Number	Percentage
Women	Nil	0%
Indigenous people	Nil	0%
Members of visible minorities	1	33%
Persons with disabilities	Nil	0%
Number of individuals that are members of more than one designated group	Nil	0%

Director Term Limits

Initially, the Resulting Issuer will not have a policy that limits the term of the directors on the Resulting Issuer Board and will not provide other mechanisms of renewal. At this time, the Resulting Issuer Board does not believe that it is in the best interest of the Resulting Issuer to establish term limits on a director's mandate or a mandatory retirement age. The Resulting Issuer Board is of the opinion that term limits and age limits may disadvantage the Resulting Issuer through the loss of beneficial contributions of directors who have developed increasing knowledge of the Resulting Issuer, its operations, and the industry over a period of time.

Age Limit	Tenure Limit	Other mechanisms of board renewal
None	None	None

17.2 Director or officer of other reporting issuers

Except for Brandon Mina, John Beresford, Randall Craig and Jillian Bannister each of the proposed directors and officers of the Resulting Issuer act as a director or officer of a company that is a reporting issuer, as outlined in Item 14.3– *Conflicts of Interest.*

17.3 Penalties and sanctions

No director, officer or shareholder holding sufficient securities to affect materially the control of the Resulting Issuer has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

17.4 Personal bankruptcies

No existing or proposed director, officer, or shareholder holding sufficient securities to affect materially the control of the Resulting Issuer, or a personal holding company of any such persons, has, during the ten years prior to the date hereof, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

18. RISK FACTORS

18.1 Risk factors related to the Resulting Issuer and its business.

Upon the completion of the Transaction, the Resulting Issuer will be an influencer marketing software-as-a-service company focused on connecting businesses operating in highly regulated industries with their consumers. A purchase of any of the securities offered hereunder involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities offered hereunder should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Prospective purchasers should carefully evaluate the following risk factors associated with an investment in the Resulting Issuer's securities prior to purchasing any of the securities offered hereunder.

Regulatory Compliance and Approval Risks

The Transaction is subject to various regulatory requirements and approvals. There is no guarantee that the parties will be able to satisfy all necessary conditions or secure essential approvals in a timely manner, if at all. Failure to obtain such approvals or satisfy the relevant requirements can result in significant delays, modifications to the terms of the Transaction, or the termination of the agreement altogether. Any of these outcomes could adversely impact the financial and operational position of all parties, potentially eroding shareholder value and introducing uncertainties in strategic planning. Investors are advised to consider the potential risks associated with the regulatory landscape and the implications it might have on the successful completion of the Transaction.

Risk of Decline in UPI Common Shares Market Price

The market price of UPI Shares is subject to a variety of factors, some of which may be unrelated to the operational performance or intrinsic value of the company. The announcement or completion of the acquisition of Xemoto, along with market perceptions, integration challenges, and potential dilution, could place downward pressure on the market price of UPI's Shares. Shareholders should also be aware that market volatility, broader economic conditions, and sector-specific challenges can influence stock prices. A sustained decline in the market price of UPI Shares may adversely affect the company's ability to raise capital or may negatively impact shareholder returns. Investors are encouraged to view their holdings in UPI with a long-term perspective and consider the inherent uncertainties and volatilities associated with equity investments.

Transaction-Related Costs for the Parties

The process of merging or acquiring companies typically incurs significant expenses. The parties anticipate substantial costs relating to legal, financial, regulatory, and advisory services, in addition to potential integration, restructuring, and operational expenditures. These costs may exceed current estimates, putting additional financial strain on both entities. It is also possible that unforeseen expenses or complications could arise during or after the completion of the Transaction. If these costs are not adequately managed or if the benefits of the Transaction do not outweigh the associated expenses, the financial condition, operational results, or prospects of the merged entity could be adversely impacted. Investors should be cognizant of the financial implications associated with such significant corporate actions and their potential effects on shareholder value.

Potential Impacts of Transaction Non-Completion on UPI's Operations

Despite the best intentions and meticulous planning, various circumstances might arise leading to the termination of the Definitive Agreement. Such circumstances could range from a failure to meet predefined conditions or milestones, a breach of covenants by either party, or unforeseen external factors that make the continuation of the Definitive Agreement untenable. Should the Transaction fail to complete, UPI may face several adverse consequences. Firstly, significant expenses already incurred in pursuit of the Transaction may not be recoverable, straining UPI's financial resources. Additionally, UPI's strategic objectives and operational focus may become disrupted, leading to potential setbacks in its growth trajectory.

The public announcement of an unsuccessful Transaction could also negatively impact UPI's reputation in the market and weaken its competitive position. Furthermore, potential contractual penalties, litigations, or loss of strategic opportunities could arise as a consequence of the Transaction's termination. Investors should be aware of these risks and their potential implications on UPI's business continuity, operational momentum, and overall shareholder value.

Verification Limitations Regarding Xemoto and the Resulting Issuer Information in the Listing Statement

The information concerning Xemoto and the Resulting Issuer that has been included in this Listing Statement is primarily based on publicly available sources, representations, and data provided by the Resulting Issuer or its representatives. While UPI has taken steps to present this information in good faith and believes it to be accurate, UPI has not independently verified every detail related to Xemoto and the Resulting Issuer. As such, discrepancies, inaccuracies, or omissions may exist. The absence of an exhaustive verification means that investors should exercise caution when relying on the information regarding Xemoto and Resulting Issuer presented in this Listing Statement. Inaccurate or incomplete data could lead to flawed business decisions, misaligned expectations, and potential financial or operational challenges for UPI post-Transaction. Shareholders and potential investors should consider the inherent risks associated with such limitations and are encouraged to seek additional information or clarification as needed before making investment decisions.

Potential for Xemoto's Additional Financing Before Closing

It is possible that Xemoto may seek and complete additional financing arrangements prior to the finalization of the Transaction with UPI. Such financing could take various forms, including equity or debt issuances, partnerships, or other financial instruments. While such financings could provide Xemoto with added capital resources, they may also lead to dilution of ownership for current Xemoto stakeholders, changes in Xemoto's capital structure, or modifications in the terms of the Transaction with UPI. The completion of additional financings could also influence the valuation and perceived attractiveness of the Transaction for UPI Shareholders. Investors should remain vigilant regarding any such developments, understanding that they could introduce new complexities and implications for the Transaction, potentially affecting its terms, outcomes, and the eventual post-Transaction structure and operations of the combined entity.

Dependency on Influencer Marketing Market and Current Offerings

The Resulting Issuer's current operational and financial standing is closely tied to the performance of its existing influencer marketing offerings and the broader influencer marketing market's trajectory. As the influencer marketing landscape evolves, it presents both opportunities and challenges. A decline in the popularity or effectiveness of influencer marketing, shifts in marketing strategies by businesses, or changes in social media platform policies could adversely affect the demand for the Resulting Issuer's services. Furthermore, if the Resulting Issuer's current offerings do not keep pace with market demands, technological advancements, or evolving industry trends, its competitive edge may be compromised. This may also result from unforeseen challenges or delays in rolling out services such as: technical glitches, regulatory hurdles, supply chain disruptions, or other unpredictable factors. When customers anticipate and rely on certain product features or improvements that are delayed or underperform, it can result in dissatisfaction, potentially harming the Resulting Issuer's brand reputation and customer loyalty. A sustained pattern of such issues might lead to decreased client retention, reduced new client acquisition, and financial repercussions due to potential contractual liabilities or compensations. Should these effects reduce the Resulting Issuer's market share or diminish its relevance in the influencer marketing space, the Resulting Issuer's revenue streams and growth prospects may be negatively impacted. Investors should be aware of this intrinsic dependency and consider the potential volatility and challenges associated with the ever-changing influencer marketing domain when evaluating the merits of the Transaction.

Risks of Technological Obsolescence and Necessity for Innovation for the Resulting Issuer

In an industry characterized by rapid technological advancements and evolving market needs, the Resulting Issuer faces the dual challenge of preventing its current systems from becoming obsolete while simultaneously innovating and developing new products and services. As technology progresses, there is an inherent risk that current systems and offerings may become outdated or less competitive, necessitating considerable investment in research, development, and system upgrades. The failure to anticipate or respond effectively to such technological shifts or market dynamics can lead to reduced market share, revenue declines, and eroded customer trust. Additionally, the development of new products and services carries its own set of risks, including unforeseen development challenges, longer-than-anticipated roll-out periods, and market reception uncertainties. Investors should be aware of the ongoing pressures that the Resulting Issuer faces in this dynamic environment and consider the implications of technological change and product development challenges on the company's future prospects and financial performance.

Market Acceptance and its Crucial Role in the Resulting Issuer's Viability

Market acceptance of the Resulting Issuer's offerings is pivotal for the company's commercial and financial viability. The influencer marketing landscape is competitive, and the Resulting Issuer's success hinges on its ability to effectively differentiate its products and services and resonate with its target audience. Should the market not accept or adapt to the Resulting Issuer's offerings, it would severely impede the company's ability to generate sufficient revenue, ultimately compromising its operational sustainability. Factors such as changing market preferences, emergence of superior competitor products, regulatory changes, or shifts in digital marketing dynamics can all influence market acceptance. An inability to maintain or grow market traction can lead to diminished returns on investment, financial strain, and challenges in supporting ongoing operations. Investors should be acutely aware of the importance of market acceptance in determining the Resulting Issuer's future trajectory and assess the associated risks when considering the broader investment landscape.

Limitations and Assumptions Underpinning Growth Forecasts in the Listing Statement

The growth forecasts presented in this Listing Statement are based on a series of assumptions, projections, and qualifications derived from currently available information and market analytics. However, forecasting future performance inherently carries a level of uncertainty. There are numerous external and internal factors that can influence the actual performance of the company, causing it to deviate significantly from these forecasts. These can include market fluctuations, regulatory changes, competitive pressures, technological disruptions, or unforeseen operational challenges. The assumptions and qualifications underpinning the forecasts may not fully account for such unpredictable variables. Failure to achieve the growth targets or misalignment of the strategy with market realities could impact the Resulting Issuer's financial performance, market reputation, and shareholder value. Investors should, therefore, weigh the ambitions of the Resulting Issuer's growth strategy against the myriad risks and uncertainties inherent in business expansion and market evolution.

Uncertainties Surrounding Future Capital Requirements for the Resulting Issuer

The Resulting Issuer's ongoing operations and potential expansion efforts might necessitate additional capital infusion beyond its current financial resources. While the company endeavors to maintain a robust financial position, there are no guarantees that it will generate sufficient revenue or have adequate internal resources to fund all its operational needs and growth ambitions. Furthermore, if the Resulting Issuer seeks external financing, it may encounter challenges in securing funds on favorable terms, especially in volatile or uncertain market conditions. Such challenges can arise from economic downturns, negative investor sentiments, unfavorable company evaluations, or changes in the broader financial landscape. The inability to procure needed capital could hinder the Resulting Issuer's growth, impede its competitive stance, or even strain its operational viability. Investors should be conscious of the potential capital requirements of the Resulting Issuer and the risks associated with securing necessary financing, especially when evaluating the company's long-term prospects and inherent risks.

Competitive and Technological Challenges for the Resulting Issuer

In the rapidly evolving landscape of influencer marketing and related technologies, the Resulting Issuer confronts significant competition. This competition could intensify as existing companies innovate and new entrants emerge, harnessing the latest technological breakthroughs. The pace of technological advancement in the industry is brisk, and there's a tangible risk that competitors might outpace the Resulting Issuer, either by developing superior products, adopting novel approaches, or achieving broader market reach more efficiently.

Moreover, if competitors bring to market similar or more advanced products ahead of the Resulting Issuer, or if they secure significant partnerships, it could result in reduced market share, dwindling revenues, and diminished brand prominence for the Resulting Issuer. In essence, the Resulting Issuer's success isn't solely contingent upon its internal strategies and innovations but is also significantly influenced by the activities and achievements of its competitors.

For investors, it's crucial to recognize the fluidity of the competitive landscape and the inherent risks associated with the Resulting Issuer's need to continuously innovate, adapt, and assert its market presence amidst these external pressures. The company's future revenue streams and growth prospects could be significantly constrained if it fails to navigate and respond adeptly to these competitive and technological challenges.

Dependence on Skilled Personnel and Associated Risks for the Resulting Issuer

The Resulting Issuer's success hinges significantly on its ability to attract, retain, and motivate top-tier talent. The specialized nature of the influencer marketing industry demands personnel with unique skills, insights, and experience. A team that understands market nuances, technological intricacies, and evolving consumer demands is essential for the company's growth and operational efficiency.

The competitive nature of the job market, especially in tech-centric and marketing domains, means that the Resulting Issuer faces substantial challenges in securing and retaining such talent. If key individuals depart or if the company struggles to attract new talent due to reasons like more attractive offerings from competitors, location constraints, or internal organizational issues, it could result in operational disruptions, loss of institutional knowledge, and potential delays in product development or market strategies.

Furthermore, the loss of key personnel, especially without suitable replacements, can erode investor confidence and potentially affect partnerships or client relationships. Investors should be cognizant of the fact that while the Resulting Issuer's assets, products, and services are critical, its human capital is equally indispensable. Any challenges in managing and retaining this human capital could have far-reaching consequences on the company's growth trajectory and overall success.

Limitations of Internal Control over Financial Reporting

Xemoto's internal controls over financial reporting aim to ensure accurate and transparent disclosure. However, no control system, regardless of its precision, can guarantee complete protection against misstatements due to potential errors or fraud. The efficacy of these controls may also vary over time, influenced by factors like organizational changes, technological shifts, or personnel turnover. As a result, there might be instances where financial misstatements aren't immediately detected or prevented, leading to potential discrepancies in financial reporting. Investors should approach financial statements with an understanding of these inherent control limitations and their implications.

Implications of Brand Awareness Challenges for the Resulting Issuer

For the Resulting Issuer, brand recognition and visibility play a pivotal role in attracting and retaining clients in a competitive market landscape. Achieving widespread brand awareness is not only crucial for growth but also for sustaining its current market position. If the Resulting Issuer struggles to promote its brand effectively or incurs disproportionately high costs in its marketing efforts, it may face challenges in expanding its client base and retaining existing customers. Inefficient brand promotion could lead to reduced market share, weaker competitive positioning, and diminished revenues. Investors should recognize the significance of cost-effective brand-building endeavors and consider potential risks associated with the Resulting Issuer's brand strategy and its impact on the company's overall business health.

Risks Associated with Realizing Acquisition Benefits for the Resulting Issuer

Mergers and acquisitions form a key component of the Resulting Issuer's growth strategy. However, integrating and deriving the anticipated benefits from these acquisitions present inherent challenges. Factors like cultural differences, unforeseen operational complexities, or overestimation of synergies can impede the successful realization of the intended benefits. If the Resulting Issuer fails to effectively integrate or leverage its acquisitions, it could face financial underperformance, resource misallocation, and strategic misalignment. Such setbacks not only affect immediate operational outcomes but can also erode investor confidence and shareholder value. Investors should be cognizant of the complexities and uncertainties tied to the post-acquisition phase and evaluate the potential risks it poses to the Resulting Issuer's business trajectory and financial health.

Security Concerns Related to the Resulting Issuer's Cloud Storage Strategy

The Resulting Issuer's reliance on cloud storage servers to maintain and manage its data introduces potential security vulnerabilities. In today's digital age, cyber-attacks, unauthorized access, and data breaches are real and ever-evolving threats. While cloud storage offers scalability, flexibility, and cost benefits, it can also be a prime target for cybercriminals seeking to exploit any perceived vulnerabilities. A successful breach could lead to the unauthorized disclosure, alteration, or destruction of sensitive information, which might have legal, financial, and reputational repercussions for the Resulting Issuer. Furthermore, restoring compromised systems and regaining customer trust can demand significant resources and time. For investors, it's essential to understand the cybersecurity measures the Resulting Issuer employs to safeguard its cloud-stored data and weigh the associated risks of potential breaches when evaluating the company's resilience and long-term viability. Investors should also factor in the potential operational risks arising from cloud server dependencies when gauging the Resulting Issuer's business continuity strategies and overall stability in a digitally interconnected marketplace.

Global Economic Conditions and Their Implications for the Resulting Issuer

The Resulting Issuer operates in a global marketplace that is susceptible to a myriad of economic fluctuations and uncertainties. Economic downturns, regional recessions, financial market volatility, trade disputes, geopolitical tensions, and unforeseen global events can all exert downward pressure on consumer spending, advertising budgets, and overall market demand. A weakened economic climate could lead to reduced business opportunities, tighter credit conditions, and potential solvency concerns for some of the Resulting Issuer's clients or partners.

Moreover, such conditions might also influence currency exchange rates, interest rates, and inflation, further impacting the Resulting Issuer's operational costs, international transactions, and overall profitability. Economic uncertainties can also affect investor sentiment, potentially leading to decreased valuations or diminished investment appetite.

Investors must be aware of these global economic dynamics and their potential ripple effects on the Resulting Issuer's business. A holistic assessment should consider both the company's intrinsic strengths and its adaptability to navigate and pivot in response to shifting economic tides.

Implications of Currency Exchange Rate Fluctuations for the Resulting Issuer's Financial Performance

Given the Resulting Issuer's operations in the global arena, it is inherently exposed to the vagaries of currency exchange rate fluctuations. These fluctuations can arise from various macroeconomic factors, including interest rate decisions, trade imbalances, geopolitical events, and fiscal policies of individual countries. Changes in exchange rates can impact the conversion of the Resulting Issuer's foreign revenues and expenses into its reporting currency, potentially leading to volatile financial statements and impacting the perceived performance of the Resulting Issuer.

For instance, a strengthening of the Resulting Issuer's reporting currency relative to other currencies could decrease the value of foreign-derived revenues when converted. Conversely, a weakening reporting currency might inflate foreign expenses. This currency-induced volatility can introduce unpredictability in the company's financial outcomes and affect its ability to forecast results accurately.

Moreover, these fluctuations can also influence the competitiveness of the Resulting Issuer's offerings in global markets. Investors should consider the potential impacts of currency exchange rate shifts on the Resulting Issuer's revenue streams, profit margins, and overall financial health, and evaluate the Resulting Issuer's hedging strategies and risk management practices designed to mitigate such exposures.

Regulatory Dynamics and Their Potential Impacts on the Resulting Issuer's Business Model

The Resulting Issuer operates in a landscape where government regulations can play a decisive role in shaping the Resulting Issuer's operational and strategic frameworks. Regulatory environments, which can differ significantly across jurisdictions, encompass aspects such as data privacy, advertising standards, consumer protection, intellectual property rights, and taxation. Any sudden or significant changes in these regulatory norms can necessitate the Resulting Issuer to adjust its business practices, technologies, or strategies, potentially leading to increased compliance costs or operational disruptions.

A stricter regulatory framework could also limit the Resulting Issuer's ability to innovate or venture into specific markets, constraining its growth potential. Non-compliance with prevailing regulations, either inadvertently or due to misinterpretation, can result in legal ramifications, financial penalties, and reputational damages for the Resulting Issuer.

Moreover, political shifts or lobbying by competing interests can bring about unpredictable changes in regulatory stances. For investors, understanding the regulatory challenges and the Resulting Issuer's preparedness to navigate them is crucial. It's imperative to gauge how proactive and adaptive the company is in anticipating, responding to, and influencing the evolving regulatory landscape that can shape its future trajectory and market positioning.

Canadian Market Dynamics and the Resulting Issuer's Business

The economic, political, and social landscape of Canada can significantly influence the Resulting Issuer's performance. Economic fluctuations within Canada can alter consumer and business spending patterns, potentially affecting demand for the Resulting Issuer's services. Additionally, political decisions, whether related to trade, regulatory frameworks, or other sectors, can reshape the business environment in which the Resulting Issuer operates. Social shifts, demographic changes, and environmental considerations in Canada can further affect the Resulting Issuer's strategies and operational decisions. Investors should be keenly aware of these Canadian-centric variables when assessing the Resulting Issuer's potential risks and opportunities within this market.

Significance and Vulnerability of the Resulting Issuer's Intellectual Property Rights

The Resulting Issuer's intellectual property ("**IP**") rights, encompassing patents, trademarks, copyrights, and trade secrets are foundational to its competitive positioning and value proposition. The uniqueness and protection of these rights underpin the company's ability to differentiate its offerings, command premium pricing, and stave off competitors. However, these rights are not immune to challenges. Despite diligent efforts, the Resulting Issuer may face difficulties in defending its IP against infringements. Defending against IP claims can be a daunting endeavor for any entity, including the Resulting Issuer. Such defences often require substantial financial resources, given the complexities of IP law and the nuances of technical evaluations. Moreover, the time-intensive nature of these legal proceedings can divert management's focus from strategic initiatives and core operations. An adverse resolution to such claims could have cascading effects on the Resulting Issuer. It might entail injunctions that halt certain business activities, necessitate modifications to the Resulting Issuer's offerings, or impose burdensome financial settlements or ongoing royalty payments. This could erode the Resulting Issuer's revenue streams, increase its operational costs, and potentially tarnish its reputation. Consequently, these challenges underscore the importance for investors to appreciate the volatile landscape of IP disputes and to consider the resilience and preparedness of the Resulting Issuer in navigating these legal mazes. Investors should weigh these risks against the Resulting Issuer's IP management strategies, ensuring that the Resulting Issuer's safeguards align with the significance of its intellectual assets.

Confidentiality Concerns and Implications for the Resulting Issuer's Proprietary Assets

For the Resulting Issuer, proprietary information and know-how are invaluable assets that provide a competitive edge in its market domain. This encompasses trade secrets, processes, client lists, and other confidential data that aren't publicly disclosed. Failure to safeguard this information poses risks. If competitors or other unauthorized parties access or replicate the Resulting Issuer's confidential assets, it could erode its unique market position and diminish the perceived value of its offerings. Breaches might arise from inadequate internal controls, employee malfeasance, cyberattacks, or business partners not honoring confidentiality agreements. The potential loss of exclusivity could lead to reduced profitability, compromised business strategies, and challenges in maintaining client trust. Investors should, thus, evaluate the Resulting Issuer's measures to protect its confidential assets, ensuring that the Resulting Issuer's protective mechanisms are robust and adaptive to the evolving threat landscape.

Litigation Risks and Their Potential Impact on the Resulting Issuer's Operations

Engaging in legal proceedings is an inherent aspect of conducting business. Adverse outcomes from these litigations, whether in the form of judgments or settlements, can have significant financial and operational implications. Sizeable monetary penalties or settlements could directly impact the Resulting Issuer's bottom line, reducing profitability. Moreover, certain judgments could impose operational constraints or necessitate changes in business practices, potentially disrupting the Resulting Issuer's regular business flow or limiting its market reach. The reputational damage stemming from unfavorable legal publicity could also weaken client trust and diminish brand value. For investors, it's crucial to assess the Resulting Issuer's litigation exposure, its strategies for legal risk management, and its track record in navigating legal challenges. A company's ability to manage and mitigate legal risks is indicative of its broader resilience and strategic foresight.

Implications and Uncertainties Stemming from the Transaction

The Transaction brings with it a myriad of risks and considerations. First and foremost, the completion of such a transaction is not guaranteed; it may be subject to regulatory approvals, shareholder endorsements, or other preconditions which, if unmet, can derail the entire process. Post-completion of the Transaction, the integration of entities, systems, or processes could prove more challenging than anticipated, leading to unforeseen operational inefficiencies or costs. Furthermore, the Resulting Issuer might face strategic alignment issues, cultural clashes, or governance challenges that could impede its growth trajectory. Financial liabilities or legacy issues could also resurface, impacting the Resulting Issuer's stability. For investors, understanding these risks is paramount. The success of the Resulting Issuer will hinge on the seamless execution of the Transaction, judicious management of integration hurdles, and the alignment of the Resulting Issuer's vision with market realities.

Uncertainties Surrounding Regulatory Approval for the Transaction

The securing of regulatory approvals stands as a pivotal component in the successful completion of the Transaction. While the Resulting Issuer may anticipate and strive for a favorable regulatory outcome, there are no guarantees. Regulatory bodies, depending on their jurisdictional purview and evaluation criteria, might raise concerns related to competition, market dynamics, governance, or other factors pertinent to the Transaction. The process of addressing these concerns can be lengthy and might necessitate changes to the terms of the Transaction or result in conditions being imposed. In some scenarios, the regulatory body might decline approval altogether, effectively stalling or terminating the Transaction. Such outcomes can have ripple effects, from financial repercussions to strategic redirections. Investors, thus, need to factor in this regulatory uncertainty when assessing the viability and potential returns of the Transaction.

Challenges of Enforcing Civil Liabilities Under Canadian Securities Laws

Canadian Securities Laws are designed to protect investors and maintain the integrity of financial markets. However, when it comes to enforcing civil liabilities, especially for foreign investors or entities, certain challenges may arise. The recognition and enforcement of judgments from foreign courts in Canada might be complex and could necessitate initiating a new lawsuit. This process can be both time-consuming and costly. Additionally, differences in Canadian legal precedent, procedural nuances, or the principles of reciprocal recognition can further complicate matters. For entities like the Resulting Issuer, these enforcement challenges could influence the decision-making of foreign investors or partners who might perceive higher legal risks. It's imperative for investors to understand these complexities and to weigh the potential hurdles of legal recourse against the benefits of their investments in Canadian securities or entities.

Market Implications of Significant Sales of Resulting Issuer Shares Post-Lock-Up

Upon the culmination of the Transaction, the Resulting Issuer Shares will be subject to specific lock-up or escrow restrictions for a predetermined period. Once these restrictions lapse, there is a potential for a significant influx of shares into the market as early investors or stakeholders might opt to liquidate their holdings. This sudden increase in supply, without a corresponding rise in demand, could exert downward pressure on the market price of the Resulting Issuer Shares. Such a scenario might also engender a perception of reduced confidence in the Resulting Issuer's prospects, further dampening investor sentiment. Additionally, potential investors might adopt a wait-and-see approach, anticipating a further drop in share prices. It's crucial for stakeholders to be cognizant of the timelines and terms of these lock-up or escrow periods, as well as the potential market dynamics upon their expiry, to make informed investment decisions.

Operational and Managerial Implications of Being a Public Entity for the Resulting Issuer

Transitioning to or maintaining the status of a public company brings with it a gamut of responsibilities and demands that could challenge the Resulting Issuer's operational framework. This transition requires adherence to rigorous regulatory, reporting, and governance standards, often necessitating additional resources, both human and financial. The management team might find themselves grappling with the complexities of public disclosures, investor relations, and continuous reporting obligations, potentially diverting their attention from core business operations.

Moreover, the transparency and scrutiny accompanying public company status could impact the Resulting Issuer's ability to make swift strategic decisions. The need for skilled executives well-versed in public company operations might increase, while retaining them could become challenging given the pressures and liabilities associated with their roles. Similarly, attracting and maintaining a qualified board, with members equipped to navigate the regulatory landscape, becomes paramount. For investors, understanding how the Resulting Issuer plans to manage these challenges and ensure continued operational excellence is crucial in evaluating its long-term viability and growth prospects.

Uncertainty Surrounding the Development of an Active Trading Market for the Resulting Issuer Shares

The transition to a public entity brings with it no guarantee of an active trading market for the Resulting Issuer Shares. Given the absence of a prior public market for these shares, their liquidity and price can be highly unpredictable upon listing. Potential investors should be aware that, without a consistent trading volume, they might find it challenging to sell their holdings at desired prices or times. A lack of active trading could also heighten price volatility, making the investment more susceptible to market speculations or manipulations. Moreover, the perceived lack of liquidity could deter potential investors, further hampering the development of a vibrant trading market. As such, stakeholders should exercise caution, acknowledging the inherent risks associated with investing in newly listed shares where an established trading history is absent.

Implications of External Research and Reporting on the Resulting Issuer

Once the Resulting Issuer becomes publicly traded, it will invariably attract the attention of securities or industry analysts who might produce research and reports about the company and its business operations. It's important to note that the Resulting Issuer will have no direct control over the content, opinions, predictions, or conclusions presented in these external analyses. Inaccurate, incomplete, or unfavorable coverage, whether justified or not, could adversely impact investor perception and, consequently, the market price of the Resulting Issuer Shares. On the other hand, a lack of analyst coverage might result in reduced visibility in the market. For potential investors, it's crucial to diversify their information sources, critically evaluate analyst reports, and avoid relying solely on them for investment decisions. Additionally, they should be cognizant of the fact that the company's internal perspective and external analyses might diverge on various fronts.

Dependency on Social Media Algorithms

The Resulting Issuer's business relies on the algorithms developed by large social media platforms such as Meta, Google and LinkedIn. These companies update their algorithms frequently, which may impact the search engine optimization strategies developed by the Resulting Issuer. While algorithm changes are generally minor, the nature of the Resulting Issuer's business exposes it to the risk that significant change(s) may be made to one or more social media algorithms in ways that materially impact the Resulting Issuer's ability to profitably deliver services.

18.2 Risk that Securityholders may become liable

There is no risk that securityholders of the Resulting Issuer may become liable to make additional contributions beyond the price of the security.

18.3 Other Risk Factors

Other than the risk factors set out above, the Resulting Issuer is not aware of any other material risk factors that a reasonable investor would consider relevant to an investment in the Resulting Issuer Shares.

19. PROMOTERS

19.1 Promoters

Following the completion of the Transaction, Adam Szweras may be considered to be a promoter of the Resulting Issuer as a result of having taken the initiative in facilitating the Transaction. Upon the completion of the Transaction, the promoter's shareholdings in the Resulting Issuer will be as follows:

Name of Shareholder	Number and % of Resulting Issuer Shares (undiluted) Beneficially Owned or Controlled	Number and % of Resulting Issuer Shares (fully diluted) Beneficially Owned or Controlled
Adam Szweras	2,261,114 (2.40%) (1)	3,795,913 (3.34%) (2)

Notes:

(1) The 2,261,114 Resulting Issuer Shares controlled directly or indirectly by Adam Szweras as are made up of: 545,272 Resulting Issuer Shares held by directly Adam Szweras; 450,000 Resulting Issuer Shares held indirectly through Ms. Szweras; and 1,265,842 Resulting Issuer Shares held indirectly through 2674775 Ontario Limited, an entity owned by Mr. Szweras and Ms. Szweras.

(2) In addition to the 2,261,114 Resulting Issuer Shares controlled directly or indirectly by Adam Szweras, Mr. Szweras holds 683,250 Resulting Issuer Options, and an aggregate of 851,549 Resulting Issuer Warrants (held indirectly through Ms. Szweras (225,000), and 2674775 Ontario Limited (626,549).

19.2 Orders, Bankruptcies and Sanctions

(1) No promoter referred to in Section 19.1 is, as at the date of this Listing Statement, or was within ten years before the date hereof, a director, CEO or CFO of any person or company that:

(a) was subject to an order that was issued while the promoter was acting in the capacity as a director, CEO or CFO; or

(b) was subject to an order that was issued after the promoter ceased to be a director, CEO or CFO and which resulted from an event that occurred while the promoter was acting in the capacity as director, CEO or CFO.

(2) For the purposes of section 19.2(1), “order” means:

(a) a cease trade order;

(b) an order similar to a cease trade order; or

(c) an order that denied the relevant person or company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

(3) Except as disclosed elsewhere in this Listing Statement, no promoter referred to in Section 19.1:

(a) is, as at the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any person or company that, while the promoter was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the promoter.

(4) No promoter referred to in Section 19.1 has been subject to:

(a) any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a provincial and territorial securities regulatory authority or has entered into a settlement agreement with a provincial and territorial securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

20. LEGAL PROCEEDINGS

20.1 Legal Proceedings

Nicholas Price, former president of SustainCo Inc. ("S**ustainCo**"), commenced an action for wrongful dismissal against SustainCo, VCI, and Clean Energy Developments Corp. ("**Clean Energy**") in the Ontario Superior Court of Justice on June 21, 2019. Price is seeking a declaration that SustainCo., VCI and Clean Energy are jointly and severally liable to pay damages in the amount of $270,000. Price also claims damages against SustainCo for tortious interference with contractual relations and inducing breach of contract in the amount of $270,000. In addition, Price is claiming punitive damages of $250,000, unpaid wages of $25,000, pre-judgment interest and his legal costs**.**

On May 27, 2024, SustainCo, VCI and Clean Energy reached a settlement with Mr. Price. Pursuant to the minutes of settlement, the defendants agreed to pay Mr. Price an aggregate of $325,000 by June 26, 2024.

On January 23, 2024, Ryan Bilodeau, the former president of Xemoto, through his wholly-owned corporation Black Oak Ventures Ltd., commenced an action in the Ontario Superior Court of Justice for damages, *quantum meruit*, unjust enrichment and/or breach of trust, in the amount of $119,529.64. Mr. Bilodeau has accused Xemoto of failing to pay invoices for consulting services rendered by Black Oak Ventures Ltd.

On April 4, 2024, Xemoto and Black Oak Ventures Ltd. reached a settlement. Pursuant to the minutes of settlement, Xemoto agreed to pay Black Oak Ventures Ltd. an aggregate of $119,529.64 in accordance with the following schedule: $15,000 by May 19, 2024; $60,000 on the earlier of the closing of the Transaction or June 1, 2024, and $44,529.64 on the earlier of six months following the closing of the Transaction and December 1, 2024.

Except as disclosed above, neither the Resulting Issuer nor any subsidiary of the Resulting Issuer is or has been the subject of any legal proceedings, penalties or sanctions imposed by a court or regulatory authority, or settlement agreements before a court or regulatory, and no such legal proceedings, penalties, or sanctions are known by the Resulting Issuer to be contemplated.

20.2 Regulatory Actions

(a) There have been no penalties or sanctions imposed against the Resulting Issuer nor any subsidiary of the Resulting Issuer, relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date hereof;

(b) There have been no other penalties or sanctions imposed by a court or regulatory body against the Resulting Issuer or any subsidiary of the Resulting Issuer necessary to contain full, true and plain disclosure of all material facts relating to the securities being listed; and

(c) There have been no settlement agreements the Resulting Issuer or the subsidiary of the Resulting Issuer entered before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date hereof.

21. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed below, no person or company named in this Listing Statement as having prepared or certified a part of this Listing Statement, and no responsible solicitor or any partner of a responsible solicitor's firm holds any beneficial interest, direct or indirect, in any securities or property of the Resulting Issuer or of an Associate or Affiliate of the Resulting Issuer.

22. AUDITORS, TRANSFER AGENTS AND REGISTRARS

22.1 Auditor

The Resulting Issuer's auditor will be PKF Antares Professional Corporation located at 2800 Skymark Ave. Suite 300, Mississauga, ON L4W 5A6.

22.2 Transfer Agent and Registrar

The Resulting Issuers registrar and Transfer Agent will be TSX Trust Company located at 100 Adelaide St W #301, Toronto, ON M5H 1S3.

23. MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by Xemoto since: (i) the beginning of the financial year ended March 31, 2023, and (ii) Xemoto's incorporation if still in effect:

Acquisition Agreement between UPI, Xemoto, and 1000764922 Ontario Inc. dated February 6, 2024

Please see Item 2.5 – *The Transaction* for a summary of the Definitive Agreement.

Escrow Agreement between 2674779 Ontario Limited, 2674775 Ontario Limited, 2838328 Ontario Limited, Randall Craig, Jeremy Goldman, 2222263 Ontario Inc., Adam Szweras, Daphne Hoffenberg-Szweras, Brian Presement, Jillian Bannister, Andres Tinajero, Brandon Mina, CFO Advantage Inc., the Resulting Issuer and TSX Trust Company, dated June 27, 2024.

Please see Item 12 – *Escrowed Securities* for information with respect to the individuals subject to the Escrow Agreement.

Voluntary Separation Agreement between Xemoto and Virginia Brailey dated October 24, 2023

Pursuant to the VSA, Ms. Brailey's effective date of separation was October 13, 2023. Ms. Brailey was provided with all accrued unpaid wages in accordance with the *Employment Standard Act, 2000* which included accrued but unused vacation pay up to the date of separation. Ms. Brailey received two weeks' pay in lieu of notice as well as vacation pay, being the sum of $8,038.46, and thereafter a retiring allowance totaling the amount of $110,869.29 (made up on $95,000 CAD which represents six months of Ms. Brailey's base salary, and $15,866.23 which represents six months of the average bonuses paid to Ms. Brailey in the previous twelve months, less applicable statutory deductions and withholdings). Ms. Brailey also received 2,000,000 Xemoto Shares valued at $0.01 per Xemoto Share for an aggregate value of $20,000. These shares are subject to the following escrow provision: 25% will be released every four months after the earlier of the one-year anniversary of the voluntary separation agreement or the date the shares of Xemoto or any parent company lists on a stock exchange in Canada or the US. The VSA also provided that Ms. Brailey is entitled to the repayment of a $40,000 loan (with 8% interest rate on the loan, compounded annually) she provided to Xemoto by either February 10, 2024, or upon completion of the Transaction, whichever occurs earlier. Pursuant to the VSA, Ms. Brailey is subject to non-competition and non-solicitation covenants.

Management Services Agreement between Branson Corporate Services Ltd. and Xemoto dated May 1, 2021, and as amended on July 28, 2022

Pursuant to the Branson MSA, Branson Corporate Services Ltd. agreed to perform Chief Financial Officer, controllership and bookkeeping services and corporate secretarial services as an independent contractor on behalf of Xemoto for a set fee of $7,500 per month starting on October 1, 2022. The Branson MSA provides that the remuneration may be renegotiated based on the evolution of Xemoto. The Branson MSA can be terminated at any time following 30 days' advance written notice to the other party. Further, pursuant to the Branson MSA, Branson Corporate Services Ltd. is subject to non-compete provisions, which can only be waived with the prior written consent of Xemoto. Xemoto is also subject to non-solicitation provisions during the term of the Branson MSA and for 2 years thereafter, which cannot be waived without the prior written consent of Branson Corporate Services Ltd.

Contractor Agreement between Xemoto and 2763168 Ontario Inc., dated January 1, 2023, and as amended on August 1, 2023

Pursuant to the 276 Agreement, 2763168 Ontario Inc. agreed to provide services associated with the roles of interim-CFO and Executive Vice President of Finance as an independent contractor. Pursuant to the 276 Agreement, 2763168 Ontario Inc. receives a monthly remuneration of $7,500. 2763168 Ontario Inc. is subject to continuing confidentiality provisions that survive the termination of the 276 Agreement.

Letter of Engagement between Xemoto and Foundation Markets Inc. dated January 1, 2023

Pursuant to the Jan 2023 FMI Engagement, Foundation Markets Inc. has agreed to act as the lead financing agent with respect to one or more private placements of Xemoto's securities for a minimum of $1,000,000. Pursuant to the Jan 2023 FMI Engagement, Foundation Markets Inc. will receive a cash fee of 8% for purchases of the private placement that were introduced to Xemoto by Foundation Markets Inc. and broker warrants equal to 8% of the number of securities sold to purchasers of the private placement that were introduced to Xemoto by Foundation Markets Inc. The broker warrants entitle the holder to purchase the securities offered under the respective private placement pursuant to the same terms and for a period of not less than the earlier of (i) 2 years from the date of closing of the private placement; or (ii) 5 years from the date of the listing of the common shares of Xemoto on a North American stock exchange.

Letter of Engagement between Xemoto and FMI Capital Advisory Inc. dated May 1, 2021 and as amended and restated on February 28, 2023

Pursuant to the Feb 2023 FMI Engagement, FMI Capital Advisory Inc. has agreed to provide Xemoto various financial and investment banking services in association with: (i) the listing of the Xemoto Shares on a recognized Canadian or US stock exchange, (ii) an amalgamation, merger, arrangement or other business combination involving Xemoto with a public company or shell or private entity with at least $2,000,000 in cash, and/or (iii) any other similar business transaction or combination of (i) and (ii).

Pursuant to the Feb 2023 FMI Engagement, FMI Capital Advisory Inc. received/will receive: (i) a fee of $136,000, plus taxes for rendered to Xemoto from the period commencing May 2021 through to June 2022; (ii) a work fee of $15,000, accrued monthly in arrears, commencing retroactively as of July 1, 2022 and prorated for any partial month of service; (iii) 2,971,112 Xemoto Shares at a deemed price per Xemoto Share at the time of issuance for services previously provided; (iv) at the time of closing of a transaction, the number of Xemoto Shares equal to the difference between the 2,971,112 Xemoto Shares issued for past services and 5% of the issued and outstanding common shares prior to the transaction; (v) a success fee of $150,000 plus HST. The Feb 2023 FMI Engagement also requires Xemoto to pay 30% of any break fee paid to Xemoto in connection with a transaction.

The Feb 2023 FMI Engagement may be terminated by either party as follows: (i) on the provision of 90 days written notice or (ii) if either party believes that the other is in breach of its material obligations, then the non-breaching party may deliver notice of such breach to the other party, and the alleged breaching party shall have ten (10) Business Days from such notice to dispute or cure such breach. If the alleged breaching party fails to cure or fails to dispute that breach within such time period, then the party originally delivering the notice of breach may terminate this agreement effective on written notice of termination to the other party.

Pursuant to the terms of the Feb 2023 FMI Engagement, all directors, officers, employees, and agents of FMI Capital Advisory Inc. have agreed to keep confidential all information obtained in connection with their engagement as financial advisor with respect to any transaction(s). Further, the Feb 2023 FMI Engagement may not be assigned prior written consent, unless as part of a reorganization by FMI Capital Advisory Inc.

Letter of Offer between Xemoto and the Business Development Bank of Canada dated January 19, 2023

The BDC Loan is secured and in the amount of $1,000,000, at floating rate of interest of 8.55% per year, plus a variance of 3.89% per year. The loan matures January 1, 2030. Provided that Xemoto is not in default of any of its obligations to Business Development Bank of Canada ("**BDC**"), Xemoto may, once in any 12-month period, prepay up to 25% of the outstanding principal on the BDC Loan without indemnity. The BDC Loan, interest on the BDC Loan, and all other amounts owing pursuant to the BDC Loan documents are secured by a guarantee of Adam Szweras and Brian Presement for the full amount of the loan, agreeing that they are directly responsible for the payment of the cancellation, standby and legal fees, and a general security agreement from Xemoto providing a security interest in all present and after-acquired personal property, except charges in favour of a shareholder, director, officer or family member of any of those persons or entity in which they have interest. Any undispersed portion of the BDC Loan will lapse and be cancelled on the occurrence of the earlier of: (i) January 19, 2024; (ii) date Xemoto notifies BDC of its intent to cancel the BDC Loan; and (iii) the date BDC issues notice to Xemoto that a default occurred and that BDC terminated its obligations to make any further advances under the BDC Loan. Pursuant to the terms of the BDC Loan, if the loan is not fully disbursed there is a cancellation fee of $7,500. Further, the BDC Loan is subject to a standby fee on the portion of the BDC Loan that has not been advanced or cancelled and which is payable in arrears commencing on July 19, 2023, and at an interest rate of 3% per annum. Xemoto must also pay a load management fee of $350 per annum on each anniversary of the first advance of the loan. BDC may assign the loan at its discretion, whereas Xemoto requires the prior written consent of BDC with respect to same.

Subscription Agreement between Xemoto and KW dated March 15, 2024

Pursuant to the KW Subscription Agreement, Xemoto issued 300 convertible debenture units to KW for an aggregate of $300,000. Each debenture unit is comprised of:

(i) one $1,176 principal amount senior secured convertible debenture maturing on September 15, 2025 (subject to the acceleration provisions in the KW Subscription Agreement), and which is convertible, for no additional consideration, at the option of the holder thereof into Xemoto Shares at a price of $0.01 per

Xemoto Share (initially) subject to customary adjustment provisions as well as the following price adjustments (which adjustments are subject to regulatory approval):

a) if at any time while the convertible debenture or any replacement thereof is outstanding, Xemoto or the Resulting Issuer, as applicable, issues securities at a price per security deemed lower than the then applicable conversion price of the convertible debenture, the conversion price for any unconverted portion of same will be reduced to such lower price per security;

b) Subject to receipt of required regulatory and Exchange approvals, if, at any time prior to conversion or repayment of the debenture: (i) Xemoto (or Resulting Issuer) issues or sells any Xemoto Shares / Resulting Issuer Shares, or securities convertible into or exercisable to acquire same for a price per Xemoto Share / Resulting Issuer Share or convertible security less than the conversion price then in effect (including as adjusted or deemed adjusted pursuant to the terms of the debenture certificate); or (ii) issues or sells convertible securities with a conversion or exercise price less than the conversion price then in effect, (including as adjusted or deemed adjusted pursuant to the terms of the debenture certificate), then the conversion price of the debenture will be adjusted downward to such issue, conversion or exercise price. Notwithstanding the foregoing, the issuance of securities upon the exercise or conversion of securities that are issued and outstanding immediately prior to the issue date, including common shares underlying stock options, issued and outstanding immediately prior to the issue date, will not be subject to the foregoing adjustment, unless the conversion or exercise price of any of the foregoing, as applicable, is reduced; and

c) In the event that the Exchange or any securities regulatory body of an applicable jurisdiction does not approve (if such approval is required) a requested downward conversion price adjustment as provided for under the debenture certificate, then such adjustment will be reduced to the maximum permitted price, and any such shortfall will be paid to the debentureholder in cash, securities, or a combination thereof by Xemoto or the Resulting Issuer, as applicable, at the reasonable discretion of the board of directors of same, to achieve a substantially similar economic result to the debentureholder subject to compliance with the rules and policies of the Exchange or applicable securities regulatory body.

(ii) 100,000 Xemoto Warrants, each Xemoto Warrant entitling the holder thereof to acquire a Xemoto Share at an exercise price of $0.015, subject to customary anti-dilution provisions as well as the following price adjustments (which adjustments are subject to regulatory approval):

a) Subject to receipt of regulatory and Exchange approval, if at any time between March 15, 2024 and the 36 month anniversary of the listing of Xemoto (or Resulting Issuer) on a recognized securities exchange issues any common shares, or any securities convertible or exercisable to acquire common shares, at a price per common share, or conversion price or exercise price per common share, below the exercise price then in effect (including as adjusted or deemed adjusted pursuant to the warrant certificate and including any reduction of a conversion or exercise price of any of the foregoing, as applicable), or issues warrants exercisable to acquire common shares at a price below the exercise price then in effect (including as adjusted or deemed adjusted pursuant to the warrant certificate and including any reduction of a conversion or exercise price of any of the foregoing, as applicable) ("Other Warrants"), then if such Other Warrants are issued, (i) the exercise price then in effect (including as adjusted or deemed adjusted pursuant to the terms of the warrant certificate) will be reduced to such lower exercise price, and (ii) Xemoto (or Resulting Issuer) will issue to the warrant holder such number of additional warrants as is equal to the number of additional warrants that would have been issued to the warrant holder on March 15, 2024 if the such lower exercise price had been used to calculate the number of warrants issued to the warrant holder as at that date, and such warrants will have an exercise price equal to such lower exercise price and will be issued on, and be subject to, the same terms (including expiry date) as such Other Warrants; and

b) Subject to receipt of regulatory and Exchange approval, if at any time between March 15, 2024 and the 36 month anniversary of the listing of Xemoto (or Resulting Issuer) on a recognized securities exchange issues any common shares, Xemoto (or Resulting Issuer) issues common shares or any securities convertible into, or exercisable to acquire, common shares (including any reduction of a conversion or exercise price of any of the foregoing, as applicable) at a price lower than the conversion price then in effect on the debentures issued on March 15, 2024, other than Other Warrants, then (i) the exercise price then in effect (including as adjusted or deemed adjusted pursuant to the terms of the warrant certificate) will be reduced to such lower exercise price, and (ii) Xemoto (or Resulting Issuer) will issue to the warrant holder such number of additional warrants as is equal to the number of additional warrants that would have been issued to the warrant holder on March 15, 2024 if the such lower exercise price had been used to calculate the number of warrants issued to the warrant holder as at that date, and such warrants will have an exercise price equal to such lower exercise price and will be issued on, and be subject to, the same terms (including expiry date) as such other securities.

General Security Agreement between Xemoto and KW dated March 15, 2024

As contemplated in the KW Subscription Agreement, Xemoto and KW entered into a general security agreement granting a security interest in all of Xemoto's property and assets in order to secure the performance of the obligations contemplated in the convertible debenture between Xemoto and KW. Pursuant to the terms of this general security agreement, Xemoto may not issue any securities that rank senior or *pari passu* to the debentures issued in accordance with the KW Subscription Agreement.

Priority Agreement between Xemoto, BDC and KW Capital Partners dated March 8, 2024

The BDC Loan was postponed and subordinated to the security interest in Xemoto's present and after acquired personal property and any interest thereon, held by KW and pursuant to the Priority Agreement. The subordinations and postponements included in the Priority Agreement apply in all events and circumstances regardless of: (i) the date or execution, attachment, registration or perfection of any security interest held by BDC or KW; or (ii) the date of any advances made to Xemoto by BDC or KW; or (iii) the date of default by Xemoto under any of the BDC Loan the security held by KW or the dates of crystallization of any floating charges held by same; and (iv) any priority agreement granted by principle of law or statute, including the *Personal Property Securities Act* (Ontario).

Xemoto is also a party (as borrower) to the following demand promissory notes:

Lender	Date	Principal Amount [(1)]	Interest (Compounded Annually)
Virginia Brailey	September 12, 2022	$40,000	8%
2674779 Ontario Limited	June 9, 2023	$12,000	8%
1306413 Ontario Limited	June 9, 2023	$15,000	8%

Adam Szweras	February 8, 2024	$45,000	8%
Textmeanywhere Inc.	February 8, 2024	$15,000	8%
2674779 Ontario Limited	February 8, 2024	$30,000	8%
Andres Tinajero	February 16, 2024	$20,000	8%
2674779 Ontario Limited	February 26, 2024	$10,000	12%
FMI Capital Advisory Inc.	February 26, 2024	$10,000	12%
2674779 Ontario Limited	March 8, 2024	$10,000	12%
Adam Szweras	March 12, 2024	$12,500	12%
2674779 Ontario Limited	March 12, 2024	$12,500	12%

Notes:
(1) Principal and interest are due on demand.

All of the contracts specified above may be inspected at the registered and records offices of Xemoto at 2905 – 77 King St. W., Toronto, ON M5K 2A1 during normal business hours. These contracts, as well as future material contracts of the Company, will posted on the Resulting Issuer's SEDAR+ profile following Closing.

24. INTEREST OF EXPERTS

Except as disclosed below, no person or company whose profession or business gives authority to a report, valuation, statement or opinion and who is named as having prepared or certified a part of this Listing Statement or as having prepared or certified a report or valuation described or included in this Listing Statement holds or is to hold any beneficial or registered interest, direct or indirect, in any securities or property of the Resulting Issuer or any Associate or Affiliate of the Resulting Issuer.

MNP LLP is the auditor of UPI and is independent of UPI within the meaning of the rules of professional conduct of the Chartered Professional Accountants of Ontario.

PKF Antares Professional Corporation is the auditor of Xemoto and will inform the Resulting Issuer that it is independent of BrandPilot AI Inc. within the meaning of the rules of professional conduct of the Chartered Professional Accountants of Ontario.

PKF Antares Professional Corporation will be the auditor of the Resulting Issuer and will inform the Resulting Issuer that it is independent of the Resulting Issuer within the meaning of the rules of professional conduct of the Chartered Professional Accountants of Ontario.

25. OTHER MATERIAL FACTS

There are no other material facts that are not elsewhere disclosed herein, and which are necessary in order for this document to contain full, true and plain disclosure of all material facts relating to the Resulting Issuer.

26. FINANCIAL STATEMENTS

Schedule "A" contains the consolidated audited financial statements of UPI for the years ended August 31, 2023, 2022, and 2021, and the unaudited interim financial statements of UPI for six-month period ended February 28, 2024.

Schedule "B" contains the audited financial statements of Xemoto for the financial periods ended March 31, 2023 and 2022, and the unaudited interim financial statements of Xemoto for nine-month period ended December 31, 2023.

Schedule "C" contains Xemoto's MD&A for the financial periods ended March 31, 2023 and 2022, and nine-month period ended December 31, 2023.

Schedule "D" contains UPI's MD&A for the years ended August 31, 2023, 2022, and 2021, and six-month period ended February 28, 2024.

Schedule "E" contains the unaudited pro forma consolidated financial statements of the Resulting Issuer as at February 29, 2024.

CERTIFICATE OF THE RESULTING ISSUER

The foregoing contains full, true and plain disclosure of all material information relating to the Resulting Issuer. It contains no untrue statement of material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Toronto, Ontario this 28th day of June, 2024.

/s/ *Brandon Mina*	**/s/** *Kyle Appleby*
Brandon Mina	**Kyle Appleby**
Chief Executive Officer	**Chief Financial Officer**

ON BEHALF OF THE BOARD OF DIRECTORS OF THE RESULTING ISSUER

/s/ *Adam Szweras*	**/s/** *Jeremy Goldman*
Adam Szweras	**Jeremy Goldman**
Chairman	**Director**

PROMOTERS

/s/ *Adam Szweras*

Adam Szweras
Chairman

SCHEDULE "A"

Universal PropTech Inc.

Unaudited Condensed Interim Consolidated Financial Statements

For the three and six months ended February 29, 2024 and February 28, 2023

(Expressed in Canadian Dollars)

Universal PropTech Inc.

Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at February 29, 2024	As at August 31, 2023
		(Audited)
	$	$
Assets		
Current Assets		
Cash and cash equivalent (Note 4)	**1,970,292**	2,813,612
Accounts receivable	**33,378**	34,035
Other receivables (Note 5)	**350,000**	100,000
Prepaid expenses	**151,359**	15,623
Total Current Assets	**2,505,029**	2,963,270
Other receivables	**380,000**	380,000
Total Assets	**2,885,029**	3,343,270
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**80,176**	255,266
Total Current Liabilities	**80,176**	255,266
Total Liabilities	**80,176**	255,266
Shareholders' Equity		
Share capital (Note 6)	**23,400,548**	23,400,548
Share-based payments reserve (Note 7)	**1,934,206**	2,178,069
Accumulated deficit	**(22,529,901)**	(22,490,613)
Total Shareholders' Equity	**2,804,853**	3,088,004
Total Liabilities and Shareholders' Equity	**2,885,029**	3,343,270

Nature of operations and going concern (Note 1)
Contingent liabilities and commitments (Note 12)
Subsequent events (Note 13)

Approved on behalf of the Board of Directors:

"Jeff Berman" (signed)
Director

"Al Quong" (signed)
Director

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

Universal PropTech Inc.
Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three months and six ended February 29, 2024 and February 28, 2023
(Expressed in Canadian Dollars)

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
Expenses				
General and administrative (Note 11)	**217,170**	554,739	**326,331**	760,857
Share-based payments (Note 7)	**38,600**	-	**38,600**	-
Finance expense	**-**	292	**-**	439
Total Expenses	**(255,770)**	(555,031)	**(364,931)**	(761,296)
Other Income				
Interest income (Notes 4)	**20,801**	10,952	**43,180**	10,952
Total Other Income	**20,801**	10,952	**43,180**	10,952
Net Income (Loss) from Continuing Operations	**(234,969)**	(544,079)	**(321,751)**	(750,344)
Discontinued Operations				
Income from discontinued operations	**-**	2,378,663	**-**	2,378,663
Net Income from Discontinuing Operations	**-**	2,378,663	**-**	2,378,663
Net Income (Loss) and Comprehensive Income (Loss)	**(234,969)**	1,834,584	**(321,751)**	1,628,319
Net Income (Loss) per Share				
Continuing operations – basic and diluted	**(0.00)**	(0.01)	**(0.01)**	(0.02)
Discontinued operations – basic and diluted	**(0.00)**	0.05	**(0.00)**	0.05
Weighted average shares outstanding – basic	**49,217,408**	49,217,408	**49,217,408**	49,217,408
Weighted average shares outstanding – diluted	**49,217,408**	49,217,408	**49,217,408**	49,217,408

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

Universal PropTech Inc.

Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the three months and six ended February 29, 2024 and February 28, 2023
(Expressed in Canadian Dollars)

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
Operating Activities				
Net income (loss) for the period from continuing operations	**(234,969)**	(544,079)	**(321,751)**	(750,344)
Adjustments for non-cash items:				
Share-based payments	**38,600**	**-**	**38,600**	-
Accrued interest on short-term investments	**-**	(10,952)	**-**	(10,952)
	(196,369)	(555,031)	**(283,151)**	(761,296)
Changes in non-cash working capital:				
Accounts receivable	**8,948**	443	**658**	(21,625)
Other receivables	**-**	-	**(250,000)**	-
Prepaid expenses	**46,997**	(7,141)	**(135,737)**	(850)
Accounts payable and accrued liabilities	**21,005**	24,477	**(175,090)**	72,375
Cash flow (used in) continuing operations	**(119,419)**	(537,252)	**(843,320)**	(711,396)
Cash flow from (used in) discontinued operations	**-**	(232,711)	**-**	(131,208)
Net Cash Provided by (Used in) Operating Activities	**(119,419)**	(769,963)	**(843,320)**	(842,604)
Investing Activities				
Purchases of short-term investments (Note 4)	**-**	(3,150,000)	**-**	(3,150,000)
Proceeds received from sale of subsidiary	**-**	3,819,929	**-**	3,819,929
Cash relinquished on sale of subsidiary	**-**	(589,041)	**-**	(589,041)
Net Cash Provided by Investing Activities	**-**	80,888	**-**	80,888
Increase (decrease) in cash and cash equivalents	**(119,419)**	(689,075)	**(843,320)**	(761,716)
Cash and cash equivalents, beginning of period	**2,089,711**	80,080	**2,813,612**	1,031,662
Cash reallocated from assets held for sale	**-**	878,941	**-**	-
Cash and cash equivalents, end of period	**1,970,292**	269,946	**1,970,292**	269,946

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

Universal PropTech Inc.
Unaudited Condensed Interim Consolidated Statements of Changes in Shareholder's Equity
For the six months ended February 29, 2024 and February 28, 2023
(Expressed in Canadian Dollars)

	Share Capital		Share-Based Payment Reserve	Warrants Reserve	Accumulated Deficit	Total
	#	$	$	$	$	$
Balance, August 31, 2022	**49,217,408**	**23,400,548**	**2,571,100**	**365,334**	**(23,169,063)**	**3,167,919**
Expiry and cancellation of options	-	-	(6,103)	-	6,103	-
Expiry of warrants	-	-	-	(361,935)	361,935	-
Net loss for the period	-	-	-	-	1,866,502	1,866,502
Balance, February 28, 2023	**49,217,408**	**23,400,548**	**2,564,997**	**3,399**	**(20,934,523)**	**5,034,421**
Balance, August 31, 2023	**49,217,408**	**23,400,548**	**2,178,069**	**-**	**(22,490,613)**	**3,088,004**
Grant of options	-	-	38,600	-	-	38,600
Expiry and cancellation of options	-	-	(282,463)	-	282,463	-
Net loss for the period	-	-	-	-	(321,751)	(321,751)
Balance, February 29, 2024	**49,217,408**	**23,400,548**	**1,934,206**	**-**	**(22,529,901)**	**2,804,853**

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

1. Nature of Operations and Going Concern

Universal PropTech Inc. ("UPI" or the "Company") was incorporated under the *Canada Business Corporation Act* on August 22, 2008. The address of the Company's corporate office is 77 King Street West, Suite 2905, Toronto, Ontario, Canada, M5K 1H1. UPI's common shares are listed on the NEX Exchange under the ticker symbol "UPI.H". Its common shares are also listed in the United States on the OTCQB Venture Market under the ticker symbol "UPIPF", and in Germany on the Frankfurt Stock Exchange under the ticker symbol "8LH".

UPI is currently focused on evaluating acquisition opportunities to enhance shareholder value. On January 31, 2023, the Company closed the sale of all the issued and outstanding shares of VCI Controls Inc. ("VCI"), a supplier of building technologies and services that improve comfort, safety, energy efficiency, and occupant productivity, including the integration of all building systems utilizing the latest in communications technologies and standards (see audited consolidated financial statements for year ended August 31, 2023 and 2022 for more details).

These unaudited condensed interim consolidated financial statements are prepared on the assumption that the Company is a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. During the three and six months ended February 29, 2024, the Company reported a net loss from continuing operations of $234,969 and $321,751 (2023 – income of $544,079 and $750,344) and income from discontinued operations of $Nil and $Nil (2023 - $2,378,663 and $2,378,663) resulting in loss and comprehensive loss of $234,969 and $321,751 (2023 – net income and comprehensive income of $1,834,584 and $1,628,319). As at February 29, 2024, the Company had a working capital of $2,424,853 (2023 – $2,708,004) and an accumulated deficit of $22,529,901 (2023 – $22,490,613). The Company's ability to continue as a going concern is dependent upon the Company finding an acquisition target and 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. It is not possible to predict whether financing efforts will continue to be successful in the future. Failure to obtain new financing could result in delay or indefinite postponement of the Company's strategic goals and represent material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, and do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses, and classifications of statements of financial position that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance

The Company's unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting. Accordingly, they do not include all of the information and disclosures required by IFRS for annual financial statements. The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These unaudited condensed interim consolidated financial statements were reviewed, approved, and authorized for issuance by the Board of Directors (the "Board") of the Company on April 19, 2024.

(b) Basis of Measurement and Functional Currency

These unaudited condensed interim consolidated financial statements are prepared on the historical cost basis, except as noted for certain financial instruments carried at fair value. The unaudited condensed interim consolidated financial statements are presented in Canadian dollars, the functional currency of the Company and its subsidiary, unless otherwise noted. The functional currency is the currency of the primary economic environment in which the Company operates.

2. Basis of Presentation (continued)

(c) Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and VCI for the comparative period ended February 28, 2023. The unaudited condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary, VCI, after eliminating inter-entity balances and transactions up to the date when control of VCI ceased.

(d) Reclassifications

Certain comparative figures have been reclassified to conform to the current period's presentation on the unaudited condensed interim consolidated statements of financial position, statements of loss and comprehensive loss and cash flows. Net loss and accumulated deficit previously reported has not been affected by these reclassifications.

(e) Significant Accounting Judgments and Estimates

The preparation of these consolidated 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 its 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. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows and the Company's cash position at year-end.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated 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 are 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.

Fair value less costs to sell of disposal group

Upon disposal of an asset, management exercises judgment in assessing whether a non-current asset (or disposal group) meets the criteria of an asset held for sale ("Asset HFS"). A non-current asset, or a disposal group, is classified as HFS if its carrying amount will be recovered principally through a sale transaction rather through continuing use, which will be the case if the following conditions are met: (a) asset/disposal group must be available for immediate sale in its present condition and, (b) the sale must be highly probable.

Management also exercises judgment in measuring the non-current asset, or disposal group, classified as HFS at the lower of the carrying amount measured immediately before reclassification and its fair value less costs to sell ("FVLCS"), which is the amount that a market participant would pay for the asset or a "Cash-Generating Unit", less the costs of sale. Management uses judgments and assumptions and may use a variety of valuation techniques in deriving the FVLCS.

2. Basis of Presentation (continued)

Determination of fair value hierarchy

The categorisation of the fair value measurement into one of the three different levels shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Judgment is required in assessing the significance of a particular input to the fair value measurement in its entirety, taking into account factors specific to the asset or liability.

The use of a valuation model precludes the use of Level 1. However, the fair value hierarchy prioritises the inputs to valuation techniques, not the valuation techniques that the respective models used to measure fair value. The level within the hierarchy is determined based on the valuation inputs, not on the methodology or complexity of the model. The use of a model does not automatically result in a Level 3 fair value measurement.

Allowances for expected credit losses

An ECL impairment model applies which requires a loss allowance to be recognized. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statements of loss and comprehensive loss.

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

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of 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. Changes in these assumptions affects the fair value of the options and the amount of stock-based compensation to be recognized in profit or loss over the vesting period.

Income taxes

Management uses estimates when determining deferred income assets. These estimates are used to determine the recoverability of non-capital tax loss carry-forwards and other tax amounts. Significant judgment is required to determine the probable future cash flows in order to recognize the deferred tax asset. Changes in market conditions, changes in tax legislation, and other factors, could adversely affect the ongoing value of deferred tax assets. The carrying amount of deferred income tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to utilize all or part of the deferred income tax assets. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it is probable that there will be sufficient taxable income for the asset to be recovered.

Percentage of completion

The Company measures the percentage of completion using the cost input method in accounting for its contract revenues which requires the Company to determine the contract work performed to date as a proportion of the estimated total contract work to be performed and it is management's judgment that use of the costs to date in proportion to the total estimated costs provides the most appropriate measure of percentage of completion.

2. Basis of Presentation (continued)

Litigation risk and claims risk

Disputes are common in the industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. The Company must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required. Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties.

Management regularly analyzes current information about these matters, and external legal counsel are often used for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

3. Summary of Material Accounting Policies

The accounting policies applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those noted in the Company's audited consolidated financial statements for the year ended August 31, 2023, unless otherwise noted below.

(a) Adoption of New Accounting Policies

The Company adopted the following amendments, effective September 1, 2022. These changes were made in accordance with the applicable transitional provisions. There was no material impact upon adoption of these amendments on the Company's consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements ("IAS 1") and IFRS Practice Statement 2 Making Materiality Judgements

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board ("CPA Canada Handbook – AcSB") in June 2021. The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by:

- Replacing the requirement to disclose "significant" accounting policies under IAS 1 with a requirement to disclose "material" accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that primary users of general purpose financial statements make on the basis of those financial statements; and
- Providing guidance in IFRS Practice Statement 2 to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments shall be applied prospectively

3. Summary of Material Accounting Policies

(a) Adoption of New Accounting Policies (continued)

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amended IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. The Company early-adopted these amendments as permitted.

At the date of authorization of these consolidated financial statements, the IASB and the IFRIC have issued the following amendments which are effective for annual periods beginning on or after September 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company had assessed that the adoption of the following amendments will not have any material impact on its consolidated financial statements:

Amendments to IFRS 16 – Leases

In September 2022, the IASB issued amendments to IFRS 16 *Leases* to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale.

(b) Recent Accounting Pronouncements

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The IASB has not prescribed a particular method for measuring the lease liability. A seller-lessee must apply the amendments retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

IAS 1 – Presentation of Financial Statements

In October 2022, the IASB issued amendments to IAS 1 requiring an entity to disclose, in specified circumstances, information in the notes that enables financial statement users to understand the risk that non-current liabilities with covenants could become repayable within 12 months after the reporting period. As part of the amendments, a provision was added to clarify that only covenants that an entity must comply with on or before the reporting date would affect a liability's classification as current or non-current, even if compliance with the covenant is only assessed after the entity's reporting date. Covenants which an entity must comply with after the reporting date would not affect classification of a liability as current or non-current at the reporting date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

4. Cash and Cash Equivalents

The Company's cash and cash equivalents consists of cash and investments in short-term guaranteed investment certificates ("GICs") which were measured at fair value. As at February 29, 2024, the short-term GICs were measured at a face value of $1,737,279 plus accrued interest of $5,901.

(Expressed in Canadian Dollars)

5. Loan Agreement

On September 18, 2023, the Company signed a Letter of Intent ("LOI") for the acquisition ("Acquisition") of all the issued and outstanding securities of Xemoto Media Ltd. ("Xemoto") by way of amalgamation whereby shareholders of Xemoto shall receive 0.225 of a common share of the Company at a deemed price of $0.05 per share of the Company. Any outstanding warrants, broker warrants, options and RSUs of Xemoto on closing will be exchanged for common share purchase warrants, broker warrants, options and RSUs equal to 0.225 warrants and options of the Company at the same terms and conditions including exercise price. Any outstanding debentures of Xemoto will be exchanged for debenture of the Company on terms and conditions, including conversion price.

On October 20, 2023, pursuant to the LOI, the Company entered into a subordinated secured debenture ("Debenture") and a General Security Agreement ("GSA") with Xemoto, whereby the Company loaned $250,000 to Xemoto. The Debenture is subordinated only to the first position of Business Development Bank of Canada, carries an interest of 15% per annual and matures on the earlier of: (i) the closing of the Acquisition; (ii) the termination of the LOI; or (iii) on March 24, 2024 (Note 13).

6. Share Capital

Authorized and issued share capital

The Company is authorized to issue an unlimited number of common shares.

Issued shares

As of February 29, 2024, there were 49,217,408 common shares issued and outstanding (August 31, 2023 – 49,217,408), for total share capital of $23,400,548 (August 31, 2023 – $23,400,548). During the six months ended February 29, 2024, and the year ended August 31, 2023, no share capital was issued.

7. Share-Based Payments Reserve

The Company adopted a stock option plan (the "Option Plan") under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options granted can be exercised for a maximum of five 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. As at February 29, 2024 the Company had 1,571,741 common shares available for issuance under the Option Plan.

On February 5, 2024, the Company granted 2,000,000 options to directors and officers at an exercise price of $0.05 per share for 3 years. All stock options are recorded at fair value using the Black-Scholes option pricing model. The options were fully vested on the grant date. Share-based compensation of $38,600 (2023 - $Nil) was recognized in the statement of loss and comprehensive loss.

The following assumptions were used for the valuation of share-based compensation for the stock options granted on February 5, 2024:

Risk free rate	3.93%
Expected life	3 years
Dividend yield	0%
Volatility	120.45%
Weighted average fair value per option	$0.0193

During the six months period ended February 29, 2024, 2,000,000 stock options were granted to directors and officers. (2023 – Nil). During the six months ended February 29, 2024, 100,000 options exercisable at $0.10 per share were cancelled (2023 – 50,000 options exercisable at $0.20 per share were cancelled) and 1,135,000 options exercisable at $0.10 per share expired (2023 – Nil). The following summarizes the stock option activities for the six months ended February 29, 2024 and February 28, 2023:

(Expressed in Canadian Dollars)

	February 29, 2024		February 28, 2023	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**2,585,000**	**0.27**	4,370,000	0.28
	2,000,000	**0.05**	-	-
Cancelled	**(100,000)**	**0.10**	(50,000)	0.20
Expired	**(1,135,000)**	**0.30**	-	-
Outstanding, end of year	**3,350,000**	**0.13**	4,320,000	0.28
Exercisable, end of period	**3,350,000**	**0.13**	4,320,000	0.28

The following table summarizes information of stock options outstanding and exercisable as at February 29, 2024:

Date of expiry	**Number of options outstanding**	**Number of options exercisable**	**Exercise price**	**Weighted average remaining contractual life**
	#	**#**	**$**	**Years**
March 16, 2024	400,000	400,000	0.45	0.04
July 30, 2024	300,000	300,000	0.30	0.42
August 22, 2025	650,000	650,000	0.10	1.48
February 4, 2027	2,000,000	2,000,000	0.05	2.93
	3,350,000	**3,350,000**	**0.13**	**2,08**

8. 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. The Company's capital consists of its equity. Its principal sources of cash are from operations, and the issuance of common shares and debt. Management intends to maintain a flexible capital structure consistent with the objectives mentioned above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, raise secured debt or refinance existing debt with different characteristics.

The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the management team to sustain the future development of the business.

The Company's capital management objectives, policies and processes have remained unchanged during the six months ended February 29, 2024 and February 28, 2023.

9. Financial Instruments and Risk Management

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.

Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. 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 for short or long-term financing of its operations.

As at February 29, 2024, the contractual maturities of the Company's financial liabilities are as follows:

	Less than 1 year	**1 to 3 years**	**3 to 5 years**	**Total**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	80,176	-	-	**80,176**
Total	**80,176**	-	-	**80,176**

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash is held with reputable chartered Canadian financial institutions, and in trust with the Company's legal counsel. Management reviews the strength of these institutions on a regular basis and believes that the credit risk concentration with respect to cash is minimal.

The Company's aging of accounts receivable as at February 29, 2024 and August, 31, 2023 are as follows:

Accounts Receivable Aging	**February 29, 2024**	August 31, 2023
	$	$
Within 30 days	**33,378**	34,035
31 to 60 days	**-**	-
61 to 90 days	**-**	-
Total Accounts Receivable	**33,378**	34,035

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 February 29, 2024, the Company had no hedging agreements in place with respect to floating interest rates. The Company's investment in GIC is exposed to interest rates fluctuations.

Foreign exchange risk

The Company purchases a portion of its inventories in United States dollars ("USD") and does not currently engage in hedging activities. Accordingly, the Company is exposed to foreign exchange risk on a portion of its accounts payable and accrued liabilities and its USD bank account balances. However, the foreign exchange exposure to the Company at this time is not significant.

Categories and fair value of financial instruments

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. As at February 29, 2024 the Company's financial instruments consisted of cash, accounts receivable (excluding HST), accounts payables and accrued liabilities.

The fair value of cash, accounts receivables (excluding HST) and accounts payables and accrued liabilities are approximately equal to their carrying value due to their short-term nature. The fair values of the finance lease obligations approximate their carrying amounts as they were measured taking into consideration comparable instruments with similar risks in determining the rates at which to discount their amount in applying their respective measurement models.

(Expressed in Canadian Dollars)

9. Financial Instruments and Risk Management (continued)

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).

10. Related Party Transactions

In accordance with IAS 24 – Related Party Disclosures, 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 of the Board.

The remuneration for members of key management personnel and directors during the three and six months ended February 29, 2024 and February 28, 2023 were as follows:

	Three months ended		**Six months ended**	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
Management remuneration	**24,000**	400,544	**24,000**	457,294
Professional fees	**21,000**	16,750	**42,000**	33,500
Directors' fees	**1,500**	1,500	**3,000**	3,000
Share-based payments	**38,600**	-	**38,600**	-
	85,100	418,794	**107,600**	493,794

Management remuneration

Remuneration of key management personnel of the Company for the three and six months ended February 29, 2024 was $24,000 and $24,000 (2023 – $400,544 and $457,294 for the Company's former CEO) for the Company's Chief Executive Officer ("CEO"). As at February 29, 2024, $18,080 was owed to the CEO. During the three and six months ended February 29, 2024, $7,500 and $15,000 (2023 - $Nil) was paid to the Company's Chief Financial Officer ("CFO"). As at February 29, 2024, no balance was owed to the former CEO and CFO (August 31, 2023 – $Nil).

Professional fees

During the three and six months ended February 29, 2024, Branson Corporate Services Ltd. ("Branson"), where the former CFO of UPI is employed, charged fees of $13,500 and $27,000 (2023 – $16,750 and $33,500), for providing accounting and administrative services to the Company. As at February 29, 2024, $Nil (August 31, 2023 – $5,875) was owed to Branson.

Directors' fees

During the three and six months ended February 29, 2024, directors' compensation were $1,500 and $3,000, respectively (2023 - $1,500 and $3,000) which were charged to salaries and wages under general and administrative expenses. As at February 29, 2024, $3,000 (August 31, 2023 – $nil) directors' fees owed to directors were included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Stock-based compensation

During the three and six months ended February 29, 2024, the Company granted 2,000,000 options to officers and directors of the Company at a fair value of $38,600 and $38,600 (2023 – $Nil and $Nil). (Note 7)

(Expressed in Canadian Dollars)

11. General and Administrative Expenses

General and administrative expenses for the three and six months ended February 29, 2024 and February 28, 2023 were comprised of the following:

	Three months ended		Six months ended	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
Salaries and wages	**11,156**	426,852	**13,606**	514,789
Professional and consulting fees	**190,816**	92,034	**285,006**	170,649
Office expenses	**14,711**	27,312	**26,059**	51,773
Marketing and sales	**487**	-	**1,660**	6,666
Travel	**-**	8,541	**-**	16,980
	217,170	554,739	**326,331**	760,857

12. Contingent Liabilities and Commitments

During the year ended August 31, 2019, a lawsuit was filed against the Company by a former employee for a claim of approximately $815,000. The Company believes the employment was terminated for cause. Since it presently is not possible to determine the outcome of this matter, no provision has been made on the consolidated financial statements.

On February 26, 2024, the Company signed an employment agreement with an employee. Under the employment agreement, the Company committed to granting 225,000 options to the employee. As of February 29, 2024, and the date of this financial statement, these options have not been issued.

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business. Management is of the opinion, based on information currently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect to the Company's consolidated financial position, liquidity, or results of operations.

13. Subsequent events

On March 15, 2024, the Company signed a Subordination Agreement with KW Capital Partners Limited (the "Senior Lender" or "KW") whereby pursuant to a second convertible debenture ("Senior Debenture"), KW agreed to loan up to $300,000 to Xemoto and the Company agreed to modified its general security agreement with Xemoto pursuant to its loan agreement dated October 20, 2023 (Note 5) to postponed and subordinated all present and future security to the Senior Lender until the Senior Debenture is repaid in full or is converted into common shares of Xemoto.

Universal PropTech Inc.

Consolidated Financial Statements

For the Years ended August 31, 2023 and 2022

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Universal PropTech Inc.:

Opinion

We have audited the consolidated financial statements of Universal PropTech Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2023 and August 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholder's equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended August 31, 2023 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue Recognized from Construction Contracts

Key Audit Matter Description

The Company enters into construction contracts which may span several years with varying terms and recognizes revenue progressively 'over time' based on the percentage-of-completion method. This method is measured by reference to costs incurred to date as a percentage of the total estimated costs to complete. The Company's policy for revenue recognition together with the related significant accounting estimates and assumptions is described in note 3 of the consolidated financial statements.

The Company recognized $1.9 million of revenues for the year ended August 31, 2023 related to these contracts that is included as part of the income from discontinued operations. We considered this to be a key audit matter due to the significant judgements made by management in estimating the costs to complete which drives the timing of revenue recognition. The determination of the estimated costs to complete projects that are open at period end is a significant judgement that can have a material impact on the amount of revenue recognized in the year.

These significant judgements include those related to estimated future labour and materials. Given the variation in the types of projects, these judgments related to the estimation of future costs are subjective in nature and dependent on the complexity and status of the related contract as at period end date.

Audit Response

We responded to this matter by performing procedures in relation to revenue recognized from construction projects. Our audit work in relation to this included, but was not restricted to, the following:

- We obtained an understanding of the budgeting process for projects and the key controls. We also evaluated the design related to the budgeting process, including how new projects are accepted, how budgets are created, the approval of budgets, and management's process on monitoring estimated costs to complete the projects.
- For a sample of contracts we selected, we assessed the total contracted revenue, billings, change orders, and the estimated costs to complete in order to assess the reasonability of the Company's percentage of completion calculations. We also verified the contracts had been approved by checking the contracts were signed by both parties, payment terms, and ensured the contract has commercial substance.
- We obtained breakdowns of all budgeted costs and obtained corroborative evidence from the operations team members to ensure indirect costs are included.
- We tested a sample of actual material and labour costs incurred by agreeing to supporting documentation to ensure costs had been incurred on each project that is recognizing revenue.
- We compared prior period cost estimates to actual contract costs incurred in the current year to assess management's ability to estimate the costs to complete a contract.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Kevin Spidle.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

December 19, 2023 — Licensed Public Accountants

Universal PropTech Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at August 31, 2023	As at August 31, 2022
	$	$
Assets		
Current Assets		
Cash and cash equivalent (Note 4)	**2,813,612**	1,031,662
Accounts receivable (Note 14)	**34,035**	2,456,077
Other receivables (Note 8)	**100,000**	-
Unbilled receivables (Note 20)	**-**	388,782
Inventories	**-**	148,758
Prepaid expenses	**15,623**	112,091
Total Current Assets	**2,963,270**	4,137,370
Other receivables (Note 8)	**380,000**	-
Investment (Note 5)	**-**	1,000,000
Property and equipment and right-of-use assets (Note 6)	**-**	366,236
Total Assets	**3,343,270**	5,503,606
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**255,266**	1,482,083
Income tax payable (Note 21)	**-**	14,218
Deferred revenue (Note 20)	**-**	515,488
Finance lease obligations – current (Note 7)	**-**	161,258
Total Current Liabilities	**255,266**	2,173,047
Finance lease obligations (Note 7)	**-**	152,835
Deferred tax liabilities (Note 21)	**-**	9,805
Total Liabilities	**255,266**	2,335,687
Shareholders' Equity		
Share capital (Note 9)	**23,400,548**	23,400,548
Share-based payments reserve (Note 10)	**2,178,069**	2,571,100
Warrants reserve (Note 11)	**-**	365,334
Accumulated deficit	**(22,490,613)**	(23,169,063)
Total Shareholders' Equity	**3,088,004**	3,167,919
Total Liabilities and Shareholders' Equity	**3,343,270**	5,503,606

Nature of operations and going concern (Note 1)
Contingent liabilities and commitments (Note 18)
Subsequent events (Note 22)

Approved on behalf of the Board of Directors:

"Jeff Berman" (signed)
Director

"Al Quong" (signed)
Director

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

(Expressed in Canadian Dollars)

	2023	2022
		$
Expenses		
General and administrative (Note 17)	**1,534,405**	1,020,381
Stock-based compensation (Notes 10 and 15)	**-**	104,175
Finance expense	**1,054**	644
Total Expenses	**(1,535,459)**	(1,125,200)
Other Income (loss)		
Interest income (Note 4)	**76,881**	-
Fair value adjustment (Note 5)	**(1,000,000)**	-
Total Other Loss	**(923,119)**	-
Net Loss from Continuing Operations	**(2,458,578)**	(1,125,200)
Discontinued Operations		
Income from discontinued operations (Note 8)	**2,378,663**	506,048
Net Income from Discontinuing Operations	**2,378,663**	506,048
Net Loss and Comprehensive Loss	**(79,915)**	(619,152)
Net Income (Loss) per Share attributable to equity holders for continuing operations		
Basic	(0.05)	(0.02)
Diluted	(0.05)	(0.02)
Net Income (Loss) per Share attributable to equity holders for discontinued operations		
Basic	0.05	0.01
Diluted	0.05	0.01

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

Universal PropTech Inc.
Consolidated Statements of Cash Flows
For the Years ended August 31, 2023 and 2022
(Expressed in Canadian Dollars)

	2023	2022
	$	$
Operating Activities		
Net loss from continuing operations for the year	**(2,458,578)**	(1,125,200)
Adjustments for non-cash items:		
Stock-based compensation	**-**	104,175
Shares issued for services performed	**-**	20,850
Fair value adjustment	**1,000,000**	-
	(1,458,578)	(1,000,175)
Changes in non-cash working capital:		
Accounts receivable	**(34,035)**	10,578
Prepaid expenses	**10,882**	(8,514)
Accounts payable and accrued liabilities	**34,618**	21,505
Net Cash Provided by (Used in) Continuing Operating Activities	**(1,447,113)**	(976,606)
Net Cash Provided by (Used in) Discontinued Operating Activities	**110,410**	1,156,922
Net Cash Provided by (Used in) Operating Activities	**(1,336,703)**	180,316
Financing Activities		
Proceeds from exercise of warrants	**-**	90,743
Lease payments	**(110,381)**	(271,286)
Net Cash Provided by (Used in) Financing Activities	**(110,381)**	(180,543)
Investing Activities		
Short-term investments	**(3,150,000)**	-
Redemption of short-term investments	**3,150,000**	-
Proceeds from sale of subsidiary	**4,331,670**	-
Cash relinquished on sale of subsidiary	**(589,041)**	-
Disposal costs	**(513,595)**	-
Proceeds of disposal of property and equipment	**-**	64,649
Property and equipment additions	**-**	(24,386)
Net Cash Provided by (Used in) Investing Activities	**3,229,034**	40,263
Increase in cash	**1,781,950**	40,036
Cash, beginning of year	**1,031,662**	991,626
Cash, end of year	**2,813,612**	1,031,662

Universal PropTech Inc.
Consolidated Statements of Changes in Shareholder's Equity
For the Years ended August 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Share Capital		Shares to be Issued	Share-Based Payment Reserve	Warrants Reserve	Accumulated Deficit	Total
	#	$	$	$	$	$	$
Balance, August 31, 2021	**48,038,515**	**23,173,026**	**30,000**	**2,719,399**	**451,263**	**(22,802,385)**	**3,571,303**
Issuance of shares for services	271,462	50,850	(30,000)	-	-	-	20,850
Issuance of shares on exercises of warrants	907,431	176,672	-	-	(85,929)	-	90,743
Stock-based compensation	-	-	-	104,175	-	-	104,175
Cancellation of options	-	-	-	(252,474)	-	252,474	-
Net loss for the year	-	-	-	-	-	(619,152)	(619,152)
Balance, August 31, 2022	**49,217,408**	**23,400,548**	**-**	**2,571,100**	**365,334**	**(23,169,063)**	**3,167,919**
Balance, August 31, 2022	**49,217,408**	**23,400,548**	**-**	**2,571,100**	**365,334**	**(23,169,063)**	**3,167,919**
Expiry and cancellation of options	-	-	-	(393,031)	-	393,031	-
Expiry of warrants	-	-	-	-	(365,334)	365,334	-
Net loss for the year	-	-	-	-	-	(79,915)	(79,915)
Balance, August 31, 2023	**49,217,408**	**23,400,548**	**-**	**2,178,069**	**-**	**(22,490,613)**	**3,088,004**

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

1. Nature of Operations and Going Concern

Universal PropTech Inc. ("UPI" or the "Company") was incorporated under the *Canada Business Corporation Act* on August 22, 2008. The address of the Company's corporate office is 77 King Street West, Suite 2905, Toronto, Ontario, Canada, M5K 1H1. UPI's common shares are listed on the TSX Venture Exchange under the ticker symbol "UPI". Its common shares are also listed in the United States on the OTCQB Venture Market under the ticker symbol "UPIPF", and in Germany on the Frankfurt Stock Exchange under the ticker symbol "8LH".

UPI is currently focused on evaluating acquisition opportunities in order to enhance shareholder value. On January 31, 2023, the Company closed the sale of all of the issued and outstanding shares of VCI Controls Inc. ("VCI"), a supplier of building technologies and services that improve comfort, safety, energy efficiency, and occupant productivity, including the integration of all building systems utilizing the latest in communications technologies and standards (see Note 8 for more details).

These consolidated financial statements are prepared on the assumption that the Company is a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. During the year ended August 31, 2023, the Company reported a net loss from continuing operations of $2,458,578 (2022 – $1,125,200). As at August 31, 2023, the Company had a working capital of $2,708,004 (2022 – $1,964,323) and an accumulated deficit of $22,490,613 (2022 – $23,169,063). The Company's ability to continue as a going concern is dependent upon the Company finding an acquisition target and 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. It is not possible to predict whether financing efforts will continue to be successful in the future. Failure to obtain new financing could result in delay or indefinite postponement of the Company's strategic goals and represent material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, and do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses, and classifications of statements of financial position that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These consolidated financial statements were reviewed, approved, and authorized for issuance by the Board of Directors (the "Board") of the Company on December 19, 2023.

(b) Basis of Measurement and Functional Currency

These consolidated financial statements are prepared on the historical cost basis, except as noted for certain financial instruments carried at fair value (as disclosed in Note 3). The consolidated financial statements are presented in Canadian dollars, the functional currency of the Company and its subsidiary, unless otherwise noted. The functional currency is the currency of the primary economic environment in which the Company operates.

2. Basis of Presentation (continued)

(c) Basis of Consolidation

The Company consolidates its interest in entities which it controls. Control comprises the power to govern an entity's financial and operating policies and obtain benefits from its activities. Subsidiaries are fully consolidated from the date control is transferred to the Company and are-deconsolidated from the date control ceases. These consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary, VCI, after eliminating inter-entity balances and transactions up to the date when control of VCI ceased.

3. Summary of Significant Accounting Policies

(a) Revenue Recognition

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of control of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, revenue is recognized as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

The Company derives revenue from construction contracts which require performance over a time span which may extend beyond one or more accounting periods. The Company recognizes revenue on construction contracts using the percentage-of-completion method. Contract revenue is based on the initial amount agreed in the contract plus any variations in contract if they can be estimated reliably. The percentage-of-completion of a contract is determined by reference to actual costs of work performed and estimates of remaining work to be completed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in the consolidated statements of loss and comprehensive loss.

On an ongoing basis, the estimated total costs for construction contracts are revised based on the information available at the end of the reporting period. Changes in estimated total costs are reflected in the percentage-of-completion calculation of applicable projects in the same period as the change in estimate occurs. Unbilled revenue represents revenue earned in excess of amounts billed on uncompleted contracts. Deferred revenue represents the excess of amounts billed to customers over revenue earned on uncompleted contracts.

Change orders and claims, referred to as contract modifications, are accounted for under IFRS 15, based, among other factors, on the fact that the contract modification is approved, and it is highly probable that a significant reversal in the amount of cumulative revenue recognized on such contract modifications will not occur when the uncertainty is subsequently resolved.

Service revenue is recognized when services have been performed and collection of the receivable is reasonably assured. Product revenue and repairs revenue are recognized when control is transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits will be received, and the costs incurred or to be incurred can be measured reliably.

On January 31, 2023, the Company sold VCI, which was its sole revenue generation unit.

3. Summary of Significant Accounting Policies (continued)

(b) Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

On initial recognition, the Company determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss ("FVTPL")
3. Measured at fair value through other comprehensive income ("FVTOCI")

The classification under IFRS 9 – Financial Instruments ("IFRS 9") is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met: (i) held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's classification of financial assets and financial liabilities under IFRS 9 are summarized below:

Cash	Amortized cost
Investment	FVTPL
Accounts receivables, excluding HST	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance lease obligations	Amortized cost

Measurement

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition. Transaction costs related to FVTPL assets and liabilities are expensed as incurred.

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses ("ECL"). The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

3. Summary of Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

Measurement (continued)

FVTPL – Changes in fair value after initial recognition, whether realized or not, are recognized through profit or loss. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

FVTOCI – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an ECL model. The ECL model requires the Company to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition.

The Company has applied the simplified approach to recognize lifetime ECL for its accounts receivable. In general, the Company anticipates that the application of the ECL model of IFRS 9 results in earlier recognition of credit losses for the respective items.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred.

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

Gains or losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Determination of fair value

The determination of fair value requires judgment and is based on market information, where available and appropriate. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

3. Summary of Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

Determination of fair value (continued)

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).

Level 1 inputs are unadjusted quoted prices, in active markets for identical assets or liabilities that the entity can access at the measurement date. For a price to qualify as Level 1, the Company should be able to obtain the price from multiple sources as a single market maker would almost by definition suggest an inactive market. Level 1 inputs related to items traded on an exchange or an active index/market location.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, which include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active, for example, dealer markets where the dealer is standing ready and able to transact at that price such as an OTC market;
- Broker quotes corroborated with observable market information;
- Inputs other than quoted prices are observable for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads, etc.

Examples of Level 3 values include:

- Inputs obtained from broker quotes or a pricing service that are indicative (that is, not being transacted upon) and not corroborated with observable market data; and
- Models that incorporate management assumptions that cannot be corroborated with observable market data.

The Company had determined that the investment that it held in ISBRG Corp. (defined hereafter) did not have an active market and any observable inputs directly or indirectly from quoted prices of a similar asset in markets which are not active. As such, the Company classified this investment as Level 3 input under the fair value hierarchy.

(c) Inventories

Inventories are valued at the lower of cost and net realizable value.

The costs incurred to bring each product to its present location and condition are accounted for as (i) raw materials, (ii) equipment, and (iii) spare parts – purchased cost on a first in, first out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(d) Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment. Likewise, when a major inspection is performed, its cost is recognized in the carrying value of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of loss and comprehensive loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

3. Summary of Significant Accounting Policies (continued)

(d) Property and Equipment (continued)

Depreciation is calculated on a declining balance basis over the expected useful life of the asset at the following rates:

Office furniture and equipment	10 to 20%
Computer equipment	30 to 40%
Job equipment	20 to 30%
Vehicles	20 to 30%
Leasehold improvements	Straight-line over the expected lease term

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed on an annual basis and adjusted prospectively if appropriate.

(e) Leased Assets

The Company primarily leases office facilities, equipment and vehicles. The Company assesses service arrangements to determine if an asset is explicitly or implicitly specified in the agreement and if the Company has the right to control the use of the identified asset.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company then recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. The Company elected to recognize expenses for leases with a term of 12 months or less on a straight-line basis over the lease term and lease of assets of low value, and not to recognize these short-term leases on the consolidated statements of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, the amount of the remeasurement is recognized as a corresponding adjustment to the carrying amount of the ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

3. Summary of Significant Accounting Policies (continued)

(f) Impairment of Non-Financial Assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset or cash-generating unit ("CGU") may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any indication exists, or when annual impairment testing for an asset or CGU is required, the Company estimates the recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use ("VIU"). Where the carrying value of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered to be impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU, using an appropriate valuation model. These calculations are corroborated by calculation multiples or other available fair value indicators.

Impairment losses are recognized in the consolidated statements of loss and comprehensive loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses no longer exist or may be decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of loss and comprehensive loss.

(g) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of the economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance expense in the consolidated statements of loss and comprehensive loss.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at August 31, 2023 and 2022, the Company had no material provisions.

(h) Income Taxes

Income tax comprises of current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

3. Summary of Significant Accounting Policies (continued)

(h) Income Taxes (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Estimates

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(i) Share Capital

In situations where the Company issues units, the value of units is bifurcated and the value of warrants is included as a separate reserve for warrants of the Company's equity. The proceeds from the issuance of units are allocated between common shares and warrants on a pro-rated basis using the relative fair value method. The fair value of the common shares is determined using the share price at the date of issuance of the units. The fair value of the warrants is determined by the application of the Black-Scholes valuation model ("Black-Scholes").

(j) Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

(k) Share-Based Payments Transactions

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of options is determined using Black–Scholes. The fair value of equity-settled share-based transactions are recognized as an expense with a corresponding increase in share-based payments reserve.

The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Amounts recorded for forfeited or expired unexercised options are transferred to accumulated deficit in the period of forfeiture or expiry. Expired warrants are also transferred to accumulated deficit.

(l) Loss Per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

3. Summary of Significant Accounting Policies (continued)

(m) Government Assistance

The benefits of tax incentives for government subsidy assistance are recognized in the year the qualifying claim is made providing there is reasonable assurance of recoverability. Grants and assistance are recorded based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities.

Government grants and assistance are recognized where there is a reasonable assurance that the grants and assistance will be received, and conditions will be complied with. Government grants and assistance are recognized in other income over the periods in which the Company recognizes expenses which the grants and assistance are intended to compensate.

(n) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(o) Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Management considers the corporate office and the Controls and Mechanical Contracting Division to be its operating segments, as both segments continue to engage in business activities. Their operating results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated and assess their performance, for which discrete financial information available to facilitate the review.

(p) Significant Accounting Judgments and Estimates

The preparation of these consolidated 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 its 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. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows and the Company's cash position at year-end.

3. Summary of Significant Accounting Policies (continued)

(p) Significant Accounting Judgments and Estimates (continued)

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated 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 are 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. See note 5.

Determination of fair value hierarchy

The categorisation of the fair value measurement into one of the three different levels shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Judgment is required in assessing the significance of a particular input to the fair value measurement in its entirety, taking into account factors specific to the asset or liability.

The use of a valuation model precludes the use of Level 1. However, the fair value hierarchy prioritises the inputs to valuation techniques, not the valuation techniques that the respective models used to measure fair value. The level within the hierarchy is determined based on the valuation inputs, not on the methodology or complexity of the model. The use of a model does not automatically result in a Level 3 fair value measurement.

Allowances for expected credit losses

An ECL impairment model applies which requires a loss allowance to be recognized. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statements of loss and comprehensive loss.

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

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of 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. Changes in these assumptions affects the fair value of the options and the amount of stock-based compensation to be recognized in profit or loss over the vesting period.

Income taxes

Management uses estimates when determining deferred income assets. These estimates are used to determine the recoverability of non-capital tax loss carry-forwards and other tax amounts. Significant judgment is required to determine the probable future cash flows in order to recognize the deferred tax asset. Changes in market conditions, changes in tax legislation, and other factors, could adversely affect the ongoing value of deferred tax assets. The carrying amount of deferred income tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to utilize all or part of the deferred income tax assets. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it is probable that there will be sufficient taxable income for the asset to be recovered.

3. Summary of Significant Accounting Policies (continued)

(p) Significant Accounting Judgments and Estimates (continued)

Percentage of completion

The Company measures the percentage of completion using the cost input method in accounting for its contract revenues which requires the Company to determine the contract work performed to date as a proportion of the estimated total contract work to be performed and it is management's judgment that use of the costs to date in proportion to the total estimated costs provides the most appropriate measure of percentage of completion.

Litigation risk and claims risk

Disputes are common in the industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. The Company must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required. Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties.

Management regularly analyzes current information about these matters, and external legal counsel are often used for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

(q) Adoption of New Accounting Policies

The Company adopted the following amendments, effective September 1, 2022. These changes were made in accordance with the applicable transitional provisions. There was no material impact upon adoption of these amendments on the Company's consolidated financial statements.

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amended IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. The Company early-adopted these amendments as permitted.

(r) Recent Accounting Pronouncements

At the date of authorization of these consolidated financial statements, the IASB and the IFRIC have issued the following amendments which are effective for annual periods beginning on or after September 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company had assessed that the adoption of the following amendments will not have any material impact on its consolidated financial statements:

3. Summary of Significant Accounting Policies (continued)

(r) Recent Accounting Pronouncements (continued)

Amendments to IFRS 16 – Leases

In September 2022, the IASB issued amendments to IFRS 16 *Leases* to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale.

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The IASB has not prescribed a particular method for measuring the lease liability. A seller-lessee must apply the amendments retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

IAS 1 – Presentation of Financial Statements

In October 2022, the IASB issued amendments to IAS 1 requiring an entity to disclose, in specified circumstances, information in the notes that enables financial statement users to understand the risk that non-current liabilities with covenants could become repayable within 12 months after the reporting period. As part of the amendments, a provision was added to clarify that only covenants that an entity must comply with on or before the reporting date would affect a liability's classification as current or non-current, even if compliance with the covenant is only assessed after the entity's reporting date. Covenants which an entity must comply with after the reporting date would not affect classification of a liability as current or non-current at the reporting date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. An entity that applies these amendments early is also required to apply the January 2020 amendments at the same time, and vice versa.

4. Cash and Cash Equivalents

The Company's cash and cash equivalents consists of cash and investments in short-term guaranteed investment certificates ("GICs") which were measured at fair value. As at August 31, 2023, the short-term GICs were measured at a face value of $1,707,750 plus accrued interest of $7,750.

5. Investment

On February 18, 2021, the Company acquired an approximate 2% interest in ISBRG Corp. ("ISBRG") by subscribing for Class A Common Shares of ISBRG for $1,000,000. The investment was recorded at fair value at initial recognition.

ISBRG's SpotLight-19© technology is designed to detect the presence of infection caused by SARS-CoV-2 virus.

In addition to its minority investment, UPI will act as the exclusive sales agent for the SpotLight-19© technology and other future platform offerings for the government and education sectors in Canada.

Commercialization of SpotLight-19© is conditional on approval of Health Canada, which continues to be uncertain. Furthermore, if approved by Health Canada, considerable additional obstacles remain in commercializing SpotLight-19©. The Company assessed the investment for indicators of impairment as at August 31, 2023, based on both qualitative and quantitative information provided to the Company and determined that the investment should be written off based on the following reasons: (i) Health Canada has not approved commercial use of SpotLight-19©; (ii) market changes relating to the end of COVID as a pandemic; (iii) assessment of near term revenue generation ability from ISBRG's other products in the absence of Health Canada approvals; (iv) lack of reliability of government funding; and (v) a review of other relevant information available to the Company. As at August 31, 2023, the investment is $Nil (2022 - $1,000,000).

(Expressed in Canadian Dollars)

5. Investment (continued)

Agency Terms

UPI will have the exclusive rights to sell SpotLight-19© to any and all governmental facilities in Canada (subject to the exclusion of certain segments), including federal, provincial, territorial, and municipal facilities, as well as Canadian primary, secondary and post-secondary education facilities (both private and public). ISBRG will pay UPI a defined commission on the annual sub license fee paid by each customer, and a commission on each test fee.

6. Property and Equipment and Right-of-Use Assets

	Computer equipment	Equipment	Furniture & fixtures	Building & Leasehold improvements	Right-of-use assets	Total
Cost	$	$	$	$	$	$
Balance, August 31,2021	**189,405**	**162,909**	**236,572**	**11,260**	**866,641**	**1,466,787**
Additions for the period	12,166	12,220	-	-	-	24,386
Additions for ROU assets	-	-	-	-	39,707	39,707
Disposals	(119,278)	(134,722)	(7,829)	(9,341)	-	(271,170)
Termination of lease	-	-	-	-	(48,939)	(48,939)
Balance, August 31,2022	**82,293**	**40,407**	**228,743**	**1,919**	**857,409**	**1,210,771**
Derecognition on sale of subsidiary	(82,293)	(40,407)	(228,743)	(1,919)	(857,409)	(1,210,771)
Balaance, August 31, 2023	-	-	-	-	-	
Accumulated depreciation						
Balance, August 31,2021	**164,882**	**121,705**	**213,515**	**11,261**	**392,141**	**903,504**
Depreciation for the year	10,050	14,490	660	-	-	25,200
Depreciation of ROU assets	-	-	-	-	223,161	223,161
Disposals	(118,825)	(124,957)	(5,267)	(9,342)	-	(258,391)
Termination of lease	-	-	-	-	(48,939)	(48,939)
Balance, August 31,2022	**56,107**	**11,238**	**208,908**	**1,919**	**566,363**	**844,535**
Depreciation for the year	4,660	4,612	167	-	-	9,439
Depreciaiton of ROU assets	-	-	-	-	89,733	89,733
Derecognition on sale of subsidiary	(60,767)	(15,851)	(209,075)	(1,919)	(656,095)	(943,707)
Balance, August 31, 2023	-	-	-	-	-	-
Net book value						
Balance, August 31,2022	26,186	29,169	19,835	-	291,046	366,236
Balance, August 31, 2023	-	-	-	-	-	-

(Expressed in Canadian Dollars)

7. Finance Lease Obligations

The carrying amounts of the Company's lease obligations and movements during the years ended August 31, 2023 and 2022 were as follows:

	$
Balance, August 31, 2021	**507,098**
Additions of leases	39,707
Interest on lease obligations	38,574
Lease payments	(271,286)
Balance, August 31, 2022	**314,093**
Interest on lease obligations	8,959
Lease payments	(110,381)
Lease liabilities derecognized on sale of subsidiary	(212,671)
Balance, August 31, 2023	**-**

8. Discontinued Operations

On December 2, 2022, the Company and Dexterra Group Inc. (the "Purchaser") entered into a share purchase agreement (the "Share Purchase Agreement") in respect of the sale of all of the issued and outstanding shares (the "Purchased Shares") of VCI (the "Transaction").

On January 31, 2023 (the "Closing Date"), the Company completed the Transaction. Pursuant to the terms of the Share Purchase Agreement, the Company agreed to sell, transfer and assign the Purchased Shares to the Purchaser for the aggregate purchase price (the "Purchase Price") payable in cash, subject to certain holdbacks (the "Holdback Amount") and adjustments as set out in the Share Purchase Agreement, calculated as follows:

(a) $4,000,000;
(b) plus the amount of cash held by VCI on closing of the Transaction (up to a maximum of $750,000);
(c) less the amount of indebtedness of VCI;
(d) less the amount of any transaction costs invoiced to VCI that remain payable as of the Closing Date;
(e) plus the amount (if any) of net working capital (as calculated in accordance with the Share Purchase Agreement) at the Closing Date ("Net Working Capital") that is greater than $1,250,000 (the "Net Working Capital Target"), and
(f) less the amount (if any) by which the Net Working Capital is less than the Net Working Capital Target.

Pursuant to the terms of the Share Purchase Agreement along with an indemnity agreement dated December 2, 2022 (the "Indemnity Agreement"), a portion of the Holdback Amount shall be held by the Purchaser for a period of 12 months following closing, subject to any pending claims at the end of such period, in which case, such amounts will be held until full and final settlement, final non-appealable judgement or final termination of such pending claims. A separate portion of the Holdback Amount shall be held by the Purchaser until the full and final settlement, final non-appealable judgement or final termination of certain identified legal proceedings involving VCI and are subject to release in accordance with the provisions of the Indemnity Agreement.

(Expressed in Canadian Dollars)

8. Discontinued Operations (continued)

The following tables summarizes the Transaction:

	$
Consideration Received	
Base purchase price	**4,000,000**
Cash held by VCI on closing	**589,041**
Net Working Capital and Other Adjustments	**222,630**
Total Consideration	**4,811,671**
Carrying amount of investment in VCI	**(1,381,250)**
Derecognition of VCI's net assets on closing	**(827,271)**
Costs of disposal	**(513,595)**
Gain on Sale on Subsidiary	**2,089,555**

Financial results relating to the discontinued operations for the years ended August 31, 2023 and 2022 are summarized as follows:

	Year ended August 31,	
	2023	2022
	$	$
Revenue (Note 16)	**3,199,537**	7,942,950
Cost of sales	**(2,252,842)**	(5,575,702)
Gross profit	**946,695**	2,367,248
Total expenses	**(713,703)**	(1,913,074)
Income from discontinued operations before tax	**232,992**	454,174
Income tax	**56,116**	51,874
Gain on sale of subsidiary	**2,089,555**	-
Income from Discontinued Operations, Net of Tax	**2,378,663**	506,048

The net cash flows from discontinued operations incurred by VCI presented on the consolidated statements of cash flows for the years ended August 31, 2023 and 2022 are summarized as follows:

	Year ended August 31,	
	2023	2022
	$	$
Net cash flows		
Provided by operating activities	33,631	1,156,922
(Used in) financing activities	(110,381)	(271,286)
Provided by investing activities	-	40,263
Net Increase in Cash Flows from Discontinued Operations	(76,750)	925,899

(Expressed in Canadian Dollars)

9. Share Capital

Authorized and issued share capital

The Company is authorized to issue an unlimited number of common shares.

Issued shares

As of August 31, 2023, there were 49,217,408 common shares issued and outstanding (August 31, 2022 – 49,217,408), for total share capital of $23,400,548 (August 31, 2022 – $23,400,548).

Share capital transactions for the year ended August 31, 2023

There were no share capital transactions during the year ended August 31, 2023.

Share capital transactions for the year ended August 31, 2022

On November 19, 2021, the Company issued 129,120 common shares to the Advertising Agency pursuant to the terms of the Service Agreement, for common shares which should have been issued in May and August 2021. These common shares which were classified as shares to be issued as at August 31, 2021, were valued at $30,000 based on the fair value of the services received.

On January 5, 2022, the Company issued an additional 142,342 common shares to the Advertising Agency pursuant to the terms of the Service Agreement. These common shares were valued at $20,850 based on the fair value of the services received.

During the year ended August 31, 2022, the Company also issued 907,431 common shares as a result of the exercise of warrants for cash proceeds of $90,743.

10. Share-Based Payments Reserve

The Company adopted a stock option plan (the "Option Plan") under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options granted can be exercised for a maximum of five 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.

The following summarizes the stock option activity for the years ended August 31, 2023 and 2022:

	August 31, 2023		August 31, 2022	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**4,370,000**	**0.28**	4,619,900	0.32
Granted	-	-	1,000,000	0.10
Cancelled	**(285,000)**	**0.20**	(50,000)	0.20
Cancelled	**(150,000)**	**0.30**	(400,000)	0.30
Cancelled	**(250,000)**	**0.45**	(450,000)	0.45
Cancelled	**(150,000)**	**0.30**	-	-
Cancelled	**(250,000)**	**0.10**	-	-
Cancelled	**(500,000)**	**0.45**	-	-
Expired	**(200,000)**	**0.20**	(349,900)	0.15
Outstanding, end of year	**2,585,000**	**0.27**	4,370,000	0.28
Exercisable, end of year	**2,585,000**	**0.27**	4,370,000	0.28

10. Share-Based Payments Reserve (continued)

Option grants for the year ended August 31, 2023

No options were granted during the year ended August 31, 2023.

Options cancelled for the year ended August 31, 2023

On October 24, 2022 and May 2, 2023, 50,000 and 235,000 options granted on August 26, 2020 to certain employees of the Company at an exercise price of $0.20, were cancelled respectively.

On May 2, 2023, 100,000 options granted on August 22, 2022 to certain employees of the Company at an exercise price of $0.10, were cancelled.

On May 2, 2023, 250,000 options granted on June 10, 2021 to certain consultants of the Company at an exercise price of $0.45, were cancelled.

On May 4, 2023, the following options previously granted to a former director of the Company were also cancelled:

- 150,000 options granted on February 2, 2021 an exercise price of $0.30
- 150,000 options granted on July 30, 2021 at an exercise price of $0.30; and
- 150,000 options granted on August 22, 2022 an exercise price of $0.10.

On June 9, 2023, 500,000 options granted on March 8, 2021 to certain consultants of the Company at an exercise price of $0.45, were cancelled.

On August 26, 2023, 200,000 options granted on August 26, 2020 to a director and an officer at an exercise price of $0.20 expired unexercised.

Option grants for the year ended August 31, 2022

On August 22, 2022, the Company granted 1,000,000 options to various officers, directors and employees at an exercise price of $0.10, expiring on August 22, 2025. The options vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 195%, expected dividend yield of 0%, risk-free interest rate of 3.39% and an expected life of three years. The grant date fair value attributable to these options of $67,477 was recorded as stock-based compensation in connection with the vesting of these options during the year ended August 31, 2022.

Options cancellation and expiry for the year ended August 31, 2022

On February 28, 2022, 50,000 options granted on August 26, 2020 to an employee of the Company at an exercise a price of $0.20, were cancelled.

On April 14, 2022, 100,000 options granted on April 16, 2021 to an employee at an exercise a price of $0.45, were cancelled.

On June 9, 2022, 400,000 options previously granted to the Company's former Chief Growth Officer (the "Former CGO") at an exercise a price of $0.30, were cancelled.

On August 3, 2022, 150,000 options granted on February 2, 2021 to an employee at an exercise a price of $0.30, and 200,000 options granted on June 10, 2021 to another employee at an exercise a price of $0.45, were also cancelled.

On August 22, 2022, 349,900 options granted on August 15, 2017 at an exercise a price of $0.15, expired unexercised.

(Expressed in Canadian Dollars)

10. Share-Based Payments Reserve (continued)

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

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining contractual life
	#	#	$	Years
October 27, 2023	270,000	270,000	0.30	0.16
December 15, 2023	450,000	450,000	0.30	0.29
February 2, 2024	415,000	415,000	0.30	0.42
March 16, 2024	400,000	400,000	0.45	0.54
July 30, 2024	300,000	300,000	0.30	0.92
August 22, 2025	750,000	750,000	0.10	1.98
	2,585,000	**2,585,000**	**0.27**	**0.90**

11. Warrants Reserve

The following summarizes the warrant activity for the years ended August 31, 2023 and 2022:

	August 31, 2023		August 31, 2022	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	$	#	$
Outstanding, beginning of year	**5,649,457**	**0.18**	**6,556,888**	**0.17**
Exercised	-	-	(907,431)	0.10
Expired	(5,649,457)	0.18	-	-
Outstanding, end of year	-	-	**5,649,457**	**0.18**

Warrant activities for the year ended August 31, 2023

There were no warrant issuances during the year ended August 31, 2023. During the year ended August 31, 2023, the following warrants expired unexercised:

- 2,013,892 warrants exercisable at $0.30 per share expired on January 8, 2023
- 322,222 warrants exercisable at $0.21 per share expired on January 8, 2023; and
- 3,313,343 warrants exercisable at $0.10 per share expired on July 14, 2023.

As at year end August 31, 2023, the Company has no warrants outstanding.

Warrant activities for the year ended August 31, 2022

There were no warrant issuances during the year ended August 31, 2022. The following summarizes the information of warrants outstanding as at August 31, 2022:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining contractual life
	#	$	Years
January 8, 2023	2,013,892	0.30	0.36
January 8, 2023 [i]	322,222	0.21	0.36
July 14, 2023	3,313,343	0.10	0.87
	5,649,457	**0.18**	**0.66**

[i] Exercisable into one common share and one-half of one common share purchase warrant exercisable at $0.30 until January 8, 2023.

(Expressed in Canadian Dollars)

12. Basic and Diluted Loss per Share

The Company presents basic and diluted earnings per share data for its ordinary shares, being Common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. Diluted earnings per share is determined by dividing the profit or loss attributable to shareholders of ordinary shares by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

The calculations of basic and diluted loss per share for the year ended August 31, 2023 were based on the net loss from continuing operations $2,458,578 (2022 – net loss of $1,125,200) and the weighted average number of basic and diluted common shares outstanding of 49,217,408 (2022 – 49,057,631).

The details of the computation of basic and diluted loss per share for the years ended August 31, 2023, and 2022 are as follows:

		2023		2022
Numerator:				
Net loss from continuing operations	**$**	**(2,458,578)**	$	(1,125,200)
Net income from discontinued operations		**2,378,663**		506,048
Net loss		**(79,915)**		(619,152)
Denominator:				
Weighted average number of basic shares outstanding		**49,217,408**		49,057,631
Weighted average number of diluted shares outstanding		**49,217,408**		49,057,631
Loss per share from continuing operations:				
Basic	**$**	**(0.05)**	$	(0.02)
Diluted	**$**	**(0.05)**	$	(0.02)
Income per share from discontinued operations:				
Basic	**$**	**0.05**	$	0.01
Diluted	**$**	**0.05**	$	0.01

13. 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. The Company's capital consists of its equity. Its principal sources of cash are from operations, and the issuance of common shares and debt. Management intends to maintain a flexible capital structure consistent with the objectives mentioned above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, raise secured debt or refinance existing debt with different characteristics.

The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the management team to sustain the future development of the business.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended August 31, 2023 and 2022.

(Expressed in Canadian Dollars)

14. Financial Instruments and Risk Management

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.

Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. 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 for short or long-term financing of its operations.

As at August 31, 2023, the contractual maturities of the Company's financial liabilities are as follows:

	Less than 1 year	**1 to 3 years**	**3 to 5 years**	**Total**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	255,266	-	-	**255,266**
Total	**255,266**	**-**	**-**	**255,266**

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash is held with reputable chartered Canadian financial institutions, and in trust with the Company's legal counsel. Management reviews the strength of these institutions on a regular basis and believes that the credit risk concentration with respect to cash is minimal.

The Company's accounts receivable balance is subject to credit risk. The Company believes the recorded amounts will be collected. Holdbacks are received upon substantial completion of the projects.

The Company's aging of accounts receivable as at August 31, 2023 and 2022 is as follows:

Accounts Receivable Aging	**August 31, 2023**	August 31, 2022
	$	$
Within 30 days	**34,035**	1,225,678
31 to 60 days	**-**	570,291
61 to 90 days	**-**	267,401
Over 90 days	**-**	281,151
Holdbacks	**-**	120,132
Allowance for expected credit loss	**-**	(8,576)
Total Accounts Receivable	**34,035**	2,456,077

The maximum exposure is limited to the carrying amount of financial assets on the consolidated statements of financial position that includes cash and accounts receivable. As at August 31, 2023, an allowance for ECL of $Nil was included in accounts receivable (August 31, 2022 – allowance for ECL of $8,576 netted against accounts receivable).

14. Financial Instruments and Risk Management (continued)

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 August 31, 2023, the Company had no hedging agreements in place with respect to floating interest rates. The Company's investment in GIC is exposed to interest rates fluctuations.

Concentration risk

The Company sold its wholly-owned operating subsidiary, VCI, on January 31, 2023 and therefore has no concentration risk going forward. Prior to the sale during the year ended August 31, 2022, the concentration of revenue generated from major customers is not significant, with the three largest customers combined accounting for approximately 30% of gross revenue for the year ended August 31, 2022 of which one particular customer account comprises of approximately 29% of total outstanding accounts receivable, all of which is within 90 days aging.

Foreign exchange risk

The Company purchases a portion of its inventories in United States dollars ("USD") and does not currently engage in hedging activities. Accordingly, the Company is exposed to foreign exchange risk on a portion of its accounts payable and accrued liabilities and its USD bank account balances. However, the foreign exchange exposure to the Company at this time is not significant.

Categories and fair value of financial instruments

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. As at August 31, 2023 the Company's financial instruments consisted of cash, accounts receivable (excluding HST), investments, accounts payables and accrued liabilities, and finance lease obligations.

The fair value of cash, accounts receivables (excluding HST) and accounts payables and accrued liabilities are approximately equal to their carrying value due to their short-term nature. The fair values of the finance lease obligations approximate their carrying amounts as they were measured taking into consideration comparable instruments with similar risks in determining the rates at which to discount their amount in applying their respective measurement models.

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 August 31, 2023, the Company's financial instruments carried at fair value consisted of its investment in ISBRG, which has been classified as Level 3. As at August 31, 2023, the Company's adjust the fair value of its investment in ISBRG (Note 5).

(Expressed in Canadian Dollars)

15. Related Party Transactions

In accordance with IAS 24 – Related Party Disclosures, 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 of the Board.

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

	2023	2022
	$	$
Management remuneration	**1,243,009**	359,288
Professional fees	**68,516**	67,000
Directors' fees	**6,500**	6,000
Stock-based compensation (Note 10)	**-**	76,001
	1,318,025	508,289

Management remuneration

Remuneration of key management personnel of the Company for the year ended August 31, 2023 included short-term compensation of $1,243,009 (2022 – 258,750) for the Company's Chief Executive Officer ("CEO") and $Nil (2022 - $100,538) for the Company's former Chief Growth Officer ("CGO"). As at August 31, 2023, no balance was owed to the CEO and the CGO (August 31, 2022 – $nil). On August 31, 2023, the Company also accrued $1,250 (2022 - $Nil) for its new Chief Financial Officer.

Professional fees

During the year ended August 31, 2023, Branson Corporate Services Ltd. ("Branson"), where the former Chief Financial Officer ("CFO") of UPI is employed, charged fees of $67,265 (2021 – $67,000), for providing CFO services to the Company, as well as other accounting and administrative services. As at August 31, 2023, $5,875 (August 31, 2022 – $6,309) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Directors' fees

During the year ended August 31, 2023, directors of the Company were paid compensation benefits of $6,500 for services rendered (2022 – $6,000), which was charged to salaries and wages with G&A expenses. As at August 31, 2023, no balance was owed to any directors in relation to the fees (August 31, 2022 – $nil).

Stock-based compensation

During the year ended August 31, 2023, officers and directors of the Company received stock-based compensation of $Nil (2022 – $76,001) on vesting of options granted.

(Expressed in Canadian Dollars)

16. Revenues

Revenues from discontinued operations for the years ended August 31, 2023 and 2022 comprise the following:

	2023	2022
	$	$
Construction and other product revenue	**1,958,903**	**4,731,619**
Finance income	**3,593**	**-**
Commissions	**2,679**	**242,491**
Repairs revenue	**578,421**	**1,427,739**
Service revenue	**655,941**	**1,541,101**
	3,199,537	**7,942,950**

17. General and Administrative Expenses

General and administrative expenses for the years ended August 31, 2023 and 2022 were comprised of the following:

	2023	2022
	$	$
Salaries and wages (note 15)	**960,753**	375,786
Office expenses	**123,805**	125,829
Professional and consulting fees (note 15)	**404,628**	460,760
Marketing and sales	**6,666**	35,832
Travel	**38,553**	22,174
	1,534,405	1,020,381

18. Contingent Liabilities and Commitments

During the year ended August 31, 2019, a lawsuit was filed against the Company by a former employee for a claim of approximately $815,000. The Company believes the employment was terminated for cause. Since it presently is not possible to determine the outcome of this matter, no provision has been made on the consolidated financial statements.

During the year ended August 31, 2022, a lawsuit was filed against the Company by a former employee for a claim of approximately $145,000. The Company believes the employment was terminated for cause. During the year ended August 31, 2023, the Company settled an amount of $40,000 on the lawsuit which is included in the income from discontinued operations.

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business. Management is of the opinion, based on information currently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect to the Company's consolidated financial position, liquidity, or results of operations.

(Expressed in Canadian Dollars)

19. Segmented Information

The Company's segments have been organized based on its principal business operations (Corporate, and Controls, and Mechanical Contracting), all within Canada.

Year ended August 31, 2023	**Corporate**	**Controls and Mechanical Contracting**	**Total**
	$	**$**	**$**
Total assets	3,343,270	-	3,343,270
Statement of Operations			
General and administrative (Note 17)	(1,534,405)	-	(1,534,405)
Finance expense	(1,054)	-	(1,054)
Interest income	76,881	-	76,881
Fair value adjustment (Note 5)	(1,000,000)	-	(1,000,000)
Discontinued operations, net of tax (Note 8)	-	2,378,663	2,378,663
Segmented (Loss) Income	**(2,458,578)**	**2,378,663**	**(79,915)**

Year ended August 31, 2022	**Corporate**	**Controls and Mechanical Contracting**	**Total**
	$	**$**	**$**
Total assets	1,327,122	4,176,482	5,503,604
Statement of Operations			
General and administrative (Note 17)	(1,020,381)	-	(1,020,381)
Share-based payments	(104,175)	-	(104,175)
Finance expense	(644)	-	(644)
Discontinued operations (Note 8)	-	506,047	506,048
Segmented (Loss) Income	**(1,125,200)**	**506,047**	**(619,152)**

(Expressed in Canadian Dollars)

20. Unbilled Receivables and Deferred Revenue

Unbilled receivables

	$
Balance, August 31, 2021	**380,859**
Excess of revenue earned over billings	7,923
Balance, August 31, 2022	**388,782**
Excess of revenue earned over billings	170,833
Derecognition on sale of subsidiary	(559,615)
Balance, August 31, 2023	**-**

Deferred revenue

	$
Balance, August 31, 2021	**279,878**
Excess of billings over revenue earned	235,610
Balance, August 31, 2022	**515,488**
Excess of revenue earned over billings	(155,047)
Derecognition on sale of subsidiary	(360,441)
Balance, August 31, 2023	**-**

21. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2022 – 26.5%) to the effective tax rate is as follows:

Provision for income tax

	2023	2022
	$	$
Net loss from continuing operations	**(2,458,578)**	(1,125,200)
Expected income tax (recovery) expense	**(651,523)**	(298,178)
Share-based compensation and non-deductible expenses	**132,820**	29,420
VCI Sale	**458,490**	-
Change in tax benefits not recognized	**60,213**	268,758
Income tax expense (recovery) from continuing operations	**-**	-

The Company's income tax expense (recovery) from continuing operations is allocated as follows:

	2023	2022
	$	$
Current tax expense (recovery)	**-**	-
Deferred tax expense (recovery)	**-**	-
Income tax expense (recovery)	**-**	-

(Expressed in Canadian Dollars)

21. Income Taxes (continued)

Deferred tax

The following table summarizes the components of deferred tax:

	2023	2022
	$	$
Deferred Tax Assets		
Capital lease obligation	**-**	83,230
Reserves	**-**	2,270
	-	85,500
Deferred Tax Liabilities		
Property and equipment	**-**	(95,310)
		(95,310)
Net deferred tax liability	**-**	(9,810)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movements in net deferred tax liabilities

	2023	2022
	$	$
Balance, beginning of year	**(9,810)**	(27,410)
Recognized in profit or loss from continuing operations	**-**	-
Recognised in discontinued operations	**9,810**	17,600
Balance, end of year	**-**	(9,810)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2023	2022
	$	$
Share issuance costs	**166,720**	277,320
Non-capital losses carried forward	**9,195,660**	8,517,870
Net capital loss carried forward	**12,841,770**	11,841,770
	22,204,150	20,636,960

The Canadian non-capital loss carry-forwards expire as noted in the table below. The capital loss carry-forward may be carried forward indefinitely but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

(Expressed in Canadian Dollars)

21. Income Taxes (continued)

The Company's Canadian non-capital income tax losses expire as follows:

	$
2033	484,170
2034	1,926,620
2035	1,571,600
2036	1,089,840
2037	252,120
2038	209,480
2039	344,870
2040	590,940
2041	1,417,900
2042	629,770
2043	678,350
	9,195,660

22. Subsequent Events

On September 18, 2023, the Company signed a Letter of Intent ("LOI") for the acquisition ("Acquisition") of all the issued and outstanding securities of Xemoto Media Ltd. ("Xemoto") by way of amalgamation whereby shareholders of Xemoto shall receive 0.225 of a common share of the Company at a deemed price of $0.05 per share of the Company. Any outstanding warrants, broker warrants, options and RSUs of Xemoto on closing will be exchanged for common share purchase warrants, broker warrants, options and RSUs equal to 0.225 warrants and options of the Company at the same terms and conditions including exercise price. Any outstanding debentures of Xemoto will be exchanged for debenture of the Company on terms and conditions, including conversion price.

On October 20, 2023, pursuant to the LOI, the Company entered into a subordinated secured debenture ("Debenture") and a General Security Agreement ("GSA") whereby the Company will loan $250,000 to Xemoto. The Debenture is subordinated only to the first position of Business Development Bank of Canada, carries an interest of 15% per annual and matures on the earlier of: (i) the closing of the Acquisition; (ii) the termination of the LOI; or (iii) on March 24, 2024.

Universal PropTech Inc.

Consolidated Financial Statements

For the Years ended August 31, 2022 and 2021

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Universal PropTech Inc.:

Opinion

We have audited the consolidated financial statements of Universal PropTech Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2022 and August 31, 2021, and the consolidated statements of loss and comprehensive loss, changes in shareholder's equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2022 and August 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended August 31, 2022 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Kevin Spidle.

MNP LLP

Mississauga, Ontario | Chartered Professional Accountants

December 15, 2022 | Licensed Public Accountants

Universal PropTech Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at August 31, 2022	As at August 31, 2021
	$	$
Assets		
Current Assets		
Cash	**1,031,662**	991,626
Accounts receivable (Note 14)	**2,456,077**	2,907,323
Unbilled receivables (Note 21)	**388,782**	380,859
Inventories (Note 4)	**148,758**	177,635
Prepaid expenses	**112,091**	106,410
Total Current Assets	**4,137,370**	4,563,853
Investment (Note 5)	**1,000,000**	1,000,000
Property and equipment and right-of-use assets (Note 6)	**366,236**	563,284
Total Assets	**5,503,606**	6,127,137
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**1,482,083**	1,540,715
Income tax payable (Note 22)	**14,218**	200,733
Deferred revenue (Note 21)	**515,488**	279,878
Finance lease obligations – current (Note 7)	**161,258**	226,722
Total Current Liabilities	**2,173,047**	2,248,048
Finance lease obligations (Note 7)	**152,835**	280,376
Deferred tax liabilities (Note 22)	**9,805**	27,410
Total Liabilities	**2,335,687**	2,555,834
Shareholders' Equity		
Share capital (Note 9)	**23,400,548**	23,173,026
Shares to be issued (Note 9)	**-**	30,000
Share-based payments reserve (Note 10)	**2,571,100**	2,719,399
Warrants reserve (Note 11)	**365,334**	451,263
Accumulated deficit	**(23,169,063)**	(22,802,385)
Total Shareholders' Equity	**3,167,919**	3,571,303
Total Liabilities and Shareholders' Equity	**5,503,606**	6,127,137

Nature of operations and going concern (Note 1)
Contingent liabilities and commitments (Note 19)
Subsequent event (Note 23)

Approved on behalf of the Board of Directors:

"Christopher Hazelton" (signed)
Director

"Al Quong" (signed)
Director

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

Universal PropTech Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the Years ended August 31, 2022 and 2021
(Expressed in Canadian Dollars)

	2022	2021
	$	$
Revenues (Note 16)	**7,942,950**	8,817,673
Cost of sales (Note 4)	**(5,575,702)**	(6,007,035)
Gross Profit	**2,367,248**	2,810,638
Expenses		
General and administrative (Note 17)	**2,667,971**	3,402,040
Depreciation (Note 6)	**248,361**	250,003
Stock-based compensation (Notes 10 and 15)	**104,175**	804,814
Inventory provision (Note 4)	**62,709**	49,642
Finance expense (Notes 7 and 8)	**50,734**	123,410
Gain on disposal of equipment	**(51,869)**	(82,580)
Gain on derecognition of right-of-use assets	**-**	(1,443)
Government assistance (Note 18)	**(43,807)**	(859,893)
Loss on conversion of debt	**-**	3,350
Total Expenses	**(3,038,274)**	(3,689,343)
Net Loss Income before Taxes	**(671,026)**	(878,705)
Current tax recovery (expense) (Note 22)	**34,269**	(184,262)
Deferred tax recovery (expense) (Note 22)	**17,605**	(27,410)
Net Loss and Comprehensive Loss	**(619,152)**	(1,090,377)
Net Loss per Share		
Basic and diluted (Note 12)	**(0.01)**	(0.03)
Weighted average shares outstanding – Basic and diluted (Note 12)	**49,057,631**	34,434,122

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

Universal PropTech Inc.
Consolidated Statements of Cash Flows
For the Years ended August 31, 2022 and 2021
(Expressed in Canadian Dollars)

	2022	2021
	$	$
Operating Activities		
Net loss for the year	**(619,152)**	(1,090,377)
Adjustments for non-cash items:		
Interest and accretion (Notes 7 and 8)	**38,574**	109,544
Loss of conversion of debt	**-**	3,350
Depreciation (Note 6)	**248,361**	250,003
Inventory provision (Note 4)	**62,709**	49,642
Stock-based compensation (Note 10)	**104,175**	804,814
Options granted as compensation for services performed (Note 10)	**-**	186,297
Shares issued for services performed (Note 9)	**20,850**	33,900
Shares to be issued for services performed (Note 9)	**-**	30,000
Gain on disposal of equipment	**(51,869)**	(82,580)
Gain on derecognition of right-of-use assets	**-**	(1,443)
Current tax (recovery) expense (Note 22)	**(34,269)**	184,262
Deferred tax (recovery) expense (Note 22)	**(17,605)**	27,410
	(248,226)	504,822
Changes in non-cash working capital:		
Accounts receivable (Note 14)	**451,246**	(975,031)
Unbilled receivables (Note 21)	**(7,923)**	(99,288)
Inventories	**(33,832)**	(29,282)
Prepaid expenses	**(5,681)**	(7,288)
Accounts payable and accrued liabilities	**(58,632)**	398,561
Deferred revenue (Note 21)	**235,610**	115,802
Income tax payable	**(152,246)**	16,471
Net Cash Provided by (Used in) Operating Activities	**180,316**	(75,233)
Financing Activities		
Proceeds from private placement (Note 9)	**-**	845,834
Issuance costs paid on private placement (Note 9)	**-**	(89,076)
Interest payment on debentures (Note 8)	**-**	(69,800)
Payment on redemption of debentures (Note 8)	**-**	(77,267)
Proceeds from exercise of stock options (Note 9)	**-**	65,515
Proceeds from exercise of warrants (Note 9)	**90,743**	807,456
Payment of finance lease obligations (Note 7)	**(271,286)**	(263,797)
Net Cash Provided by (Used in) Financing Activities	**(180,543)**	1,218,865
Investing Activities		
Acquisition of minority interest in investments (Note 5)	**-**	(1,000,000)
Additions of property and equipment (Note 6)	**(24,386)**	(39,495)
Proceeds from disposals of property and equipment	**64,649**	82,695
Net Cash Provided by (Used in) Investing Activities	**40,263**	(956,800)
Increase in cash	**40,036**	186,832
Cash, beginning of year	**991,626**	804,794
Cash, end of year	**1,031,662**	991,626

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

Universal PropTech Inc.

Consolidated Statements of Changes in Shareholder's Equity
For the Years ended August 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Share Capital		Shares to be Issued	Equity Component of Convertible Debentures	Share-Based Payment Reserve	Warrants Reserve	Accumulated Deficit	Total
	#	$	$	$	$	$	$	$
Balance, August 31, 2020	**15,776,223**	**21,011,132**	**-**	**16,105**	**1,777,174**	**657,616**	**(22,187,008)**	**1,275,019**
Issuance of shares for services (Note 9)	91,354	33,900	-	-	-	-	-	33,900
Shares to be issued for services (Note 9)	-	-	30,000	-	-	-	-	30,000
Issuance of shares from private placements (Notes 9 and 11)	4,027,779	590,816	-	-	-	255,018	-	845,834
Issuance of compensation options from private placements (Note 11)	-	-	-	-	-	191,515	-	191,515
Share issue costs (Notes 9 and 11)	-	(195,992)	-	-	-	(84,598)	-	(280,590)
Issuance of shares on debenture conversion (Notes 8 and 9)	19,653,504	718,025	-	(16,105)	-	-	-	701,920
Issuance of shares on exercises of options (Notes 9 and 10)	415,100	114,401	-	-	(48,886)	-	-	65,515
Issuance of shares on exercises of warrants (Notes 9 and 11)	8,074,555	900,744	-	-	-	(93,288)	-	807,456
Stock-based compensation (Note 10)	-	-	-	-	804,814	-	-	804,814
Grant of options for consulting services (Note 10)	-	-	-	-	186,297	-	-	186,297
Expiry of warrants (Note 11)	-	-	-	-	-	(475,000)	475,000	-
Net loss for the year	-	-	-	-	-	-	(1,090,377)	(1,090,377)
Balance, August 31, 2021	**48,038,515**	**23,173,026**	**30,000**	**-**	**2,719,399**	**451,263**	**(22,802,385)**	**3,571,303**
Balance, August 31, 2021	**48,038,515**	**23,173,026**	**30,000**	**-**	**2,719,399**	**451,263**	**(22,802,385)**	**3,571,303**
Issuance of shares for services (Note 9)	271,462	50,850	(30,000)	-	-	-	-	20,850
Issuance of shares on exercises of warrants (Notes 9 and 11)	907,431	176,672	-	-	-	(85,929)	-	90,743
Stock-based compensation (Note 10)	-	-	-	-	104,175	-	-	104,175
Expiry and cancellation of options (Note 10)	-	-	-	-	(252,474)	-	252,474	-
Net loss for the year	-	-	-	-	-	-	(619,152)	(619,152)
Balance, August 31, 2022	**49,217,408**	**23,400,548**	**-**	**-**	**2,571,100**	**365,334**	**(23,169,063)**	**3,167,919**

1. Nature of Operations and Going Concern

Universal PropTech Inc. ("UPI" or the "Company") was incorporated under the *Canada Business Corporation Act* on August 22, 2008. The address of the Company's corporate office is 1 Royal Gate Blvd., Suite D, Vaughan, Ontario, Canada, L4L 8Z7. UPI's common shares are listed on the TSX Venture Exchange under the ticker symbol "UPI". Its common shares are also listed in the United States on the OTCQB Venture Market under the ticker symbol "UPIPF", and in Germany on the Frankfurt Stock Exchange under the ticker symbol "8LH".

UPI is a building innovation company, selecting, integrating, deploying, and maintaining proptech technologies aiming to deliver customer-centric building solutions and services. The Company conducts its operations through its wholly-owned subsidiary, VCI Controls Inc. ("VCI"). VCI is a supplier of building technologies and services that improve comfort, safety, energy efficiency, and occupant productivity, including the integration of all building systems utilizing the latest in communications technologies and standards. VCI's service offering is focused on delivering solutions in digital controls, mechanical services, performance monitoring, and energy efficiency solutions.

These consolidated financial statements are prepared on the assumption that the Company is a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. During the year ended August 31, 2022, the Company reported a net loss of $619,152 (2021 – $1,090,377). As at August 31, 2022, the Company had a working capital of $1,964,323 (August 31, 2021 – $2,315,805) and an accumulated deficit of $23,169,063 (August 31, 2021 – $22,802,385). The Company's ability to continue as a going concern is dependent upon its ability to increase revenues, to decrease costs and to obtain additional financing to support operations for the foreseeable future. It is not possible to predict whether financing efforts will continue to be successful in the future. Failure to obtain new financing could result in delay or indefinite postponement of the Company's strategic goals, and the continued evolution of the novel coronavirus ("COVID-19") pandemic represent material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, and do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues and expenses, and classifications of statements of financial position that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These consolidated financial statements were reviewed, approved, and authorized for issuance by the Board of Directors (the "Board") of the Company on December 15, 2022.

(b) Basis of Measurement and Functional Currency

These consolidated financial statements are prepared on the historical cost basis, except as noted for certain financial instruments carried at fair value (as disclosed in Note 3). The consolidated financial statements are presented in Canadian dollars, the functional currency of the Company and its subsidiary, unless otherwise noted. The functional currency is the currency of the primary economic environment in which the Company operates.

2. Basis of Presentation (continued)

(c) Basis of Consolidation

The Company consolidates its interest in entities which it controls. Control comprises the power to govern an entity's financial and operating policies and obtain benefits from its activities. Subsidiaries are fully consolidated from the date control is transferred to the Company and are-deconsolidated from the date control ceases. These consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiary after eliminating inter-entity balances and transactions.

3. Summary of Significant Accounting Policies

(a) Revenue Recognition

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of control of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, revenue is recognized as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

The Company derives revenue from construction contracts which require performance over a time span which may extend beyond one or more accounting periods. The Company recognizes revenue on construction contracts using the percentage-of-completion method. Contract revenue is based on the initial amount agreed in the contract plus any variations in contract if they can be estimated reliably. The percentage-of-completion of a contract is determined by reference to actual costs of work performed and estimates of remaining work to be completed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in the consolidated statements of loss and comprehensive loss.

On an ongoing basis, the estimated total costs for construction contracts are revised based on the information available at the end of the reporting period. Changes in estimated total costs are reflected in the percentage-of-completion calculation of applicable projects in the same period as the change in estimate occurs. Unbilled revenue represents revenue earned in excess of amounts billed on uncompleted contracts. Deferred revenue represents the excess of amounts billed to customers over revenue earned on uncompleted contracts.

Change orders and claims, referred to as contract modifications, are accounted for under IFRS 15, based, among other factors, on the fact that the contract modification is approved, and it is highly probable that a significant reversal in the amount of cumulative revenue recognized on such contract modifications will not occur when the uncertainty is subsequently resolved.

Service revenue is recognized when services have been performed and collection of the receivable is reasonably assured.

Product revenue and repairs revenue are recognized when control is transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits will be received, and the costs incurred or to be incurred can be measured reliably.

3. Summary of Significant Accounting Policies (continued)

(b) Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

On initial recognition, the Company determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss ("FVTPL")
3. Measured at fair value through other comprehensive income ("FVTOCI")

The classification under IFRS 9 – Financial Instruments ("IFRS 9") is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met: (i) held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's classification of financial assets and financial liabilities under IFRS 9 are summarized below:

Cash	Amortized cost
Investment	FVTPL
Accounts receivables, excluding HST	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance lease obligations	Amortized cost

Measurement

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition. Transaction costs related to FVTPL assets and liabilities are expensed as incurred.

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses ("ECL"). The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

3. Summary of Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

Measurement (continued)

FVTPL – Changes in fair value after initial recognition, whether realized or not, are recognized through profit or loss. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

FVTOCI – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an ECL model. The ECL model requires the Company to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition.

The Company has applied the simplified approach to recognize lifetime ECL for its accounts receivable. In general, the Company anticipates that the application of the ECL model of IFRS 9 results in earlier recognition of credit losses for the respective items.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred.

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

Gains or losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Determination of fair value

The determination of fair value requires judgment and is based on market information, where available and appropriate. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

3. Summary of Significant Accounting Policies (continued)

(b) Financial Instruments (continued)

Determination of fair value (continued)

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).

Level 1 inputs are unadjusted quoted prices, in active markets for identical assets or liabilities that the entity can access at the measurement date. For a price to qualify as Level 1, the Company should be able to obtain the price from multiple sources as a single market maker would almost by definition suggest an inactive market. Level 1 inputs related to items traded on an exchange or an active index/market location.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, which include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active, for example, dealer markets where the dealer is standing ready and able to transact at that price such as an OTC market;
- Broker quotes corroborated with observable market information;
- Inputs other than quoted prices are observable for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads, etc.

Examples of Level 3 values include:

- Inputs obtained from broker quotes or a pricing service that are indicative (that is, not being transacted upon) and not corroborated with observable market data; and
- Models that incorporate management assumptions that cannot be corroborated with observable market data.

As at August 31, 2022, the Company had determined that the investment that it held in ISBRG Corp. (defined hereafter) did not have an active market and any observable inputs directly or indirectly from quoted prices of a similar asset in markets which are not active. As such, the Company had classified this investment as Level 3 inputs under the fair value hierarchy (August 31, 2021 – classified as Level 2 for investment in a private-owned entity based on observable price).

(c) Inventories

Inventories are valued at the lower of cost and net realizable value.

The costs incurred to bring each product to its present location and condition are accounted for as (i) raw materials, (ii) equipment, and (iii) spare parts – purchased cost on a first in, first out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(d) Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment. Likewise, when a major inspection is performed, its cost is recognized in the carrying value of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of loss and comprehensive loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

3. Summary of Significant Accounting Policies (continued)

(d) Property and Equipment (continued)

Depreciation is calculated on a declining balance basis over the expected useful life of the asset at the following rates:

Office furniture and equipment	10 to 20%
Computer equipment	30 to 40%
Job equipment	20 to 30%
Vehicles	20 to 30%
Leasehold improvements	Straight-line over the expected lease term

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed on an annual basis and adjusted prospectively if appropriate.

(e) Leased Assets

The Company primarily leases office facilities, equipment and vehicles. The Company assesses service arrangements to determine if an asset is explicitly or implicitly specified in the agreement and if the Company has the right to control the use of the identified asset.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company then recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. The Company elected to recognize expenses for leases with a term of 12 months or less on a straight-line basis over the lease term and lease of assets of low value, and not to recognize these short-term leases on the consolidated statements of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, the amount of the remeasurement is recognized as a corresponding adjustment to the carrying amount of the ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

3. Summary of Significant Accounting Policies (continued)

(f) Impairment of Non-Financial Assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset or cash-generating unit ("CGU") may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any indication exists, or when annual impairment testing for an asset or CGU is required, the Company estimates the recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use ("VIU"). Where the carrying value of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered to be impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU, using an appropriate valuation model. These calculations are corroborated by calculation multiples or other available fair value indicators.

Impairment losses are recognized in the consolidated statements of loss and comprehensive loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses no longer exist or may be decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of loss and comprehensive loss.

(g) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of the economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance expense in the consolidated statements of loss and comprehensive loss.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at August 31, 2022 and 2021, the Company had no material provisions.

(h) Income Taxes

Income tax comprises of current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

3. Summary of Significant Accounting Policies (continued)

(h) Income Taxes (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Estimates

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(i) Share Capital

In situations where the Company issues units, the value of units is bifurcated and the value of warrants is included as a separate reserve for warrants of the Company's equity. The proceeds from the issuance of units are allocated between common shares and warrants on a pro-rated basis using the relative fair value method. The fair value of the common shares is determined using the share price at the date of issuance of the units. The fair value of the warrants is determined by the application of the Black-Scholes valuation model ("Black-Scholes").

(j) Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

(k) Share-Based Payments Transactions

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of options is determined using Black–Scholes. The fair value of equity-settled share-based transactions are recognized as an expense with a corresponding increase in share-based payments reserve.

The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Amounts recorded for forfeited or expired unexercised options are transferred to accumulated deficit in the period of forfeiture or expiry. Expired warrants are also transferred to accumulated deficit.

(l) Loss Per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

3. Summary of Significant Accounting Policies (continued)

(m) Government Assistance

The benefits of tax incentives for government subsidy assistance are recognized in the year the qualifying claim is made providing there is reasonable assurance of recoverability. Grants and assistance are recorded based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities.

Government grants and assistance are recognized where there is a reasonable assurance that the grants and assistance will be received, and conditions will be complied with. Government grants and assistance are recognized in other income over the periods in which the Company recognizes expenses which the grants and assistance are intended to compensate.

(n) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(o) Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Management considers the corporate office and the Controls and Mechanical Contracting Division to be its operating segments, as both segments continue to engage in business activities. Their operating results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated and assess their performance, for which discrete financial information available to facilitate the review.

(p) Significant Accounting Judgments and Estimates

The preparation of these consolidated 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 its 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. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows and the Company's cash position at year-end.

3. Summary of Significant Accounting Policies (continued)

(p) Significant Accounting Judgments and Estimates (continued)

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated 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 are 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.

Determination of fair value hierarchy

The categorisation of the fair value measurement into one of the three different levels shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Judgment is required in assessing the significance of a particular input to the fair value measurement in its entirety, taking into account factors specific to the asset or liability.

The use of a valuation model precludes the use of Level 1. However, the fair value hierarchy prioritises the inputs to valuation techniques, not the valuation techniques that the respective models used to measure fair value. The level within the hierarchy is determined based on the valuation inputs, not on the methodology or complexity of the model. The use of a model does not automatically result in a Level 3 fair value measurement.

Allowances for expected credit losses

An ECL impairment model applies which requires a loss allowance to be recognized. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statements of loss and comprehensive loss.

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

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of 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. Changes in these assumptions affects the fair value of the options and the amount of stock-based compensation to be recognized in profit or loss over the vesting period.

Income taxes

Management uses estimates when determining deferred income assets. These estimates are used to determine the recoverability of non-capital tax loss carry-forwards and other tax amounts. Significant judgment is required to determine the probable future cash flows in order to recognize the deferred tax asset. Changes in market conditions, changes in tax legislation, and other factors, could adversely affect the ongoing value of deferred tax assets. The carrying amount of deferred income tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to utilize all or part of the deferred income tax assets. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it is probable that there will be sufficient taxable income for the asset to be recovered.

3. Summary of Significant Accounting Policies (continued)

(p) Significant Accounting Judgments and Estimates (continued)

Percentage of completion

The Company measures the percentage of completion using the cost input method in accounting for its contract revenues which requires the Company to determine the contract work performed to date as a proportion of the estimated total contract work to be performed and it is management's judgment that use of the costs to date in proportion to the total estimated costs provides the most appropriate measure of percentage of completion.

Litigation risk and claims risk

Disputes are common in the industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. The Company must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required. Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties.

Management regularly analyzes current information about these matters, and external legal counsel are often used for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

(q) Adoption of New Accounting Policies

The Company adopted the following amendments, effective September 1, 2021. These changes were made in accordance with the applicable transitional provisions.

Amendments to IAS 1 – Presentation of Financial Statements ("IAS 1")

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19.

The Company early-adopted these amendments as permitted and had assessed that the adoption of these amendments did not have any material impact on the consolidated financial statements.

(r) Recent Accounting Pronouncements

At the date of authorization of these consolidated financial statements, the IASB and the IFRIC have issued the following amendments which are effective for annual periods beginning on or after September 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company had assessed that the adoption of the following amendments will not have any material impact on its consolidated financial statements:

3. Summary of Significant Accounting Policies (continued)

(r) Recent Accounting Pronouncements (continued)

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amended IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

4. Inventories

The Company maintains inventories, which consist of raw materials, equipment, and spare parts for sale or for use. During the year ended August 31, 2022, the total raw materials, equipment, and spare parts charged to cost of sales was $1,293,730 (2021 – $1,575,609).

Inventories are stated at the lower of cost or market. The Company periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions. During the year ended August 31, 2022, a write-down of $62,709 was recorded on the inventories (2021 – write-down of $49,642).

5. Investment

On February 18, 2021, the Company acquired an approximate 2% interest in ISBRG Corp. ("ISBRG") by subscribing for Class A Common Shares of ISBRG for $1,000,000. The investment was recorded at fair value at initial recognition.

ISBRG is a data analytics company which has developed the SpotLight© technology platform designed to generate comprehensive health care data non-invasively within seconds at a nominal incremental cost per test. ISBRG's SpotLight-19© is designed to detect the presence of infection caused by SARS-CoV-2 virus. SpotLight-19© uses light to quickly scan a fingertip. The speed and cost of the test, combined with its non-invasive nature, has been designed to screen large numbers of people in largely populated venues without the prohibitive delays, cost and environmental damage associated with current chemical reagent, sample-based tests. The outcome of ISBRG's clinical trial data is currently under evaluation by Health Canada.

In addition to its minority investment, UPI will act as the exclusive sales agent for the SpotLight-19© technology and other future platform offerings for the government and education sectors in Canada.

Agency Terms

UPI will have the exclusive rights to sell SpotLight-19© to any and all governmental facilities in Canada (subject to the exclusion of certain segments), including federal, provincial, territorial and municipal facilities, as well as Canadian primary, secondary and post-secondary education facilities (both private and public). ISBRG will pay UPI a defined commission on the annual sub license fee paid by each customer, and a commission on each test fee.

As at August 31, 2022, the Company assessed the investment for indicators of impairment, and had determined that there was no change in fair value from the date of acquisition up to the end of the reporting period based on a qualitative assessment of all information available to management.

(Expressed in Canadian Dollars)

6. Property and Equipment and Right-of-Use Assets

	Computer equipment	Equipment	Vehicles	Furniture & fixtures	Building & Leasehold improvements	Right-of-use assets	Total
	$	$	$	$	$	$	$
Cost							
Balance, August 31, 2020	**183,474**	**133,140**	**11,399**	**236,572**	**11,260**	**762,398**	**1,338,243**
Additions for the year	5,931	29,769	3,795	-	-	-	39,495
Additions for ROU assets	-	-	-	-	-	211,824	211,824
Disposals	-	-	(15,194)	-	-	-	(15,194)
Termination of lease	-	-	-	-	-	(107,581)	(107,581)
Balance, August 31, 2021	**189,405**	**162,909**	**-**	**236,572**	**11,260**	**866,641**	**1,466,787**
Additions for the period	12,166	12,220	-	-	-	-	24,386
Additions for ROU assets	-	-	-	-	-	39,707	39,707
Disposals	(119,278)	(134,722)	-	(7,829)	(9,341)	-	(271,170)
Termination of lease	-	-	-	-	-	(48,939)	(48,939)
Balance, August 31, 2022	**82,293**	**40,407**	**-**	**228,743**	**1,919**	**857,409**	**1,210,771**
Accumulated depreciation							
Balance, August 31, 2020	**154,737**	**108,760**	**8,938**	**212,827**	**9,952**	**237,110**	**732,324**
Depreciation for the year	10,145	12,945	6,180	688	1,309	-	31,267
Depreciation of ROU assets	-	-	-	-	-	218,736	218,736
Disposals	-	-	(15,118)	-	-	-	(15,118)
Termination of lease	-	-	-	-	-	(63,705)	(63,705)
Balance, August 31, 2021	**164,882**	**121,705**	**-**	**213,515**	**11,261**	**392,141**	**903,504**
Depreciation for the year	10,050	14,490	-	660	-	-	25,200
Depreciation of ROU assets	-	-	-	-	-	223,161	223,161
Disposals	(118,825)	(124,957)	-	(5,267)	(9,342)	-	(258,391)
Termination of lease	-	-	-	-	-	(48,939)	(48,939)
Balance, August 31, 2022	**56,107**	**11,238**	**-**	**208,908**	**1,919**	**566,363**	**844,535**
Net book value							
Balance, August 31, 2021	24,523	41,204	-	23,057	-	474,500	563,284
Balance, August 31, 2022	**26,186**	**29,169**	**-**	**19,835**	**-**	**291,046**	**366,236**

7. Finance Lease Obligations

The carrying amounts of the Company’s lease obligations and movements during the years ended August 31, 2022 and 2021 were as follows:

	$
Balance, September 1, 2020	**556,390**
Additions of leases	211,824
Termination of leases	(45,277)
Interest on lease obligations	47,958
Lease payments	(263,797)
Balance, August 31, 2021	**507,098**
Additions of leases	39,707
Interest on lease obligations	38,574
Lease payments	(271,286)
Balance, August 31, 2022	**314,093**

	$
Current portion	161,258
Long-term portion	152,835
	314,093

8. Convertible Debentures

On July 14, 2020, the Company closed a non-brokered private placement (the "Private Placement") of a Series A secured convertible debentures (each, a "Convertible Debenture"), for proceeds in the principal amount of $1,059,942.

The principal amount of the Convertible Debentures was to be repayable in cash, by the Company on the third anniversary of issuance (the "Maturity Date") and will carry an interest rate of 12% per year compounded monthly and payable at the Maturity Date. The Convertible Debentures were convertible into common shares of the Company at $0.05 per share for the first year the Convertible Debentures are outstanding, and at $0.10 per share thereafter. In addition, each $1,000 of principal amount of the Convertible Debentures was issued 10,000 common share purchase warrants (each, a "Warrant"), for an aggregate of 10,599,422 Warrants issued. Each Warrant is exercisable into one common share at an exercise price of $0.10 per common share for a period of three years from the date of issuance.

The Convertible Debentures were secured by way of a general security agreement made in favour of a collateral agent acting as agent for all of the holders of the Convertible Debentures, granting a security interest in substantially all of the Company's assets. The Company will have the right to prepay any or part of the Convertible Debentures at any time prior to the Maturity Date by paying the principal amount of the Convertible Debentures.

In connection with the Private Placement, the Company paid total cash-based transaction costs of $100,559, including a cash finders' fee of $84,795, and issued 1,695,907 finders' warrants valued at $171,746 for total transaction costs of $272,305.

During the year ended August 31, 2021, the Company recorded accretion of $66,110 on the Convertible Debentures, and paid interest of $69,800. A principal amount of $982,675 of the Convertible Debentures were converted into 19,653,504 common shares of the Company at a conversion price of $0.05 per share. On April 20, 2021, the Company redeemed the last remaining principal amount of $77,267 for cash.

9. Share Capital

Authorized and issued share capital

The Company is authorized to issue an unlimited number of common shares.

Issued shares

As of August 31, 2022, there were 49,217,408 common shares issued and outstanding (August 31, 2021 – 48,038,515), for total share capital of $23,400,548 (August 31, 2021 – $23,173,026).

Share capital transactions for the year ended August 31, 2021

On December 10, 2020, the Company issued 60,536 common shares to an online advertising and marketing agency (the "Advertising Agency") pursuant to the terms of a service agreement. The common shares were valued at $16,950 based on the fair value of the services received.

On January 8, 2021, the Company completed a non-brokered private placement offering (the "Offering") of 4,027,779 units ("Units") at a price of $0.21 per Unit, for gross proceeds of $845,834. Each Unit is comprised of one common share of the Company and one-half (1/2) of a Warrant exercisable at $0.30 for a period of two years from closing. In connection with the Offering, the Company paid cash commissions of $67,667, representing fees of 8% of the gross proceeds of the Offering introduced by the finders. In addition, the Company issued 322,222 compensation options ("Compensation Options") (see Note 11 for details).

On February 26, 2021, the Company issued another 30,818 common shares to the Advertising Agency, which were also valued at $16,950 based on the fair value of the services received.

During the year ended August 31, 2021, a principal amount of $982,675 of the Convertible Debenture were converted into 19,653,504 common shares of the Company at a conversion price of $0.05 per share (see Note 8).

(Expressed in Canadian Dollars)

9. Share Capital (continued)

Share capital transactions for the year ended August 31, 2021 (continued)

During the year ended August 31, 2021, the Company issued 415,100 common shares as a result of the exercise of stock options for cash proceeds of $65,515.

During the year ended August 31, 2021, the Company also issued 8,074,555 common shares as a result of the exercise of warrants for cash proceeds of $807,456.

Share capital transactions for the year ended August 31, 2022

On November 19, 2021, the Company issued 129,120 common shares to the Advertising Agency pursuant to the terms of the Service Agreement, for common shares which should have been issued in May and August 2021. These common shares which were classified as shares to be issued as at August 31, 2021, were valued at $30,000 based on the fair value of the services received.

On January 5, 2022, the Company issued an additional 142,342 common shares to the Advertising Agency pursuant to the terms of the Service Agreement. These common shares were valued at $20,850 based on the fair value of the services received.

During the year ended August 31, 2022, the Company also issued 907,431 common shares as a result of the exercise of warrants for cash proceeds of $90,743.

10. Share-Based Payments Reserve

The Company adopted a stock option plan (the "Option Plan") under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options granted can be exercised for a maximum of five 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.

The following summarizes the stock option activity for the years ended August 31, 2022 and 2021:

	August 31, 2022		August 31, 2021	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**4,619,900**	**0.32**	1,300,000	0.17
Granted	**1,000,000**	**0.10**	2,285,000	0.30
Granted	**-**	**-**	1,450,000	0.45
Exercised	**-**	**-**	(350,100)	0.15
Exercised	**-**	**-**	(65,000)	0.20
Cancelled	**(50,000)**	**0.20**	-	-
Cancelled	**(400,000)**	**0.30**	-	-
Cancelled	**(450,000)**	**0.45**	-	-
Expired	**(349,900)**	**0.15**	-	-
Outstanding, end of year	**4,370,000**	**0.28**	4,619,900	0.32
Exercisable, end of year	**4,370,000**	**0.28**	4,191,400	0.32

10. Share-Based Payments Reserve (continued)

Option grants for the year ended August 31, 2021

On October 27, 2020, the Company granted 270,000 options to an officer and an advisory board member at an exercise price of $0.30, expiring on October 27, 2023. The options vested at the following schedule: 30% immediately, 35% on the 6-month anniversary of grant, and 35% on the 1-year anniversary of grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 181%, expected dividend yield of 0%, risk-free interest rate of 0.25% and an expected life of three years. The grant date fair value attributable to these options was $67,823, of which $3,707 was recorded as stock-based compensation in connection with the vesting of these options during the year ended August 31, 2022 (2021 – $64,116).

On December 15, 2020, the Company granted 535,000 options to an officer and a consultant at an exercise price of $0.30, expiring on December 15, 2023. The options vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 168%, expected dividend yield of 0%, risk-free interest rate of 0.30% and an expected life of three years. The grant date fair value attributable to these options of $132,309 was recorded as stock-based compensation in connection with the vesting of these options during the year ended August 31, 2021.

On February 2, 2021, the Company granted 880,000 options to various officers, directors and consultants at an exercise price of $0.30, expiring on February 2, 2024. The options vested at the following schedule: 40% immediately, 30% on the 6-month anniversary of grant, and 30% on the 1-year anniversary of grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 167%, expected dividend yield of 0%, risk-free interest rate of 0.20% and an expected life of three years. The grant date fair value attributable to these options was $204,844, of which $26,097 was recorded as stock-based compensation in connection with the vesting of these options during the year ended August 31, 2022 (2021 – $178,747).

On March 8, 2021, the Company granted 500,000 options to a consultant at an exercise price of $0.45, expiring on March 8, 2024. The options were granted as compensation pursuant to a service agreement for marketing services rendered to the Company. The options vested immediately on grant and were valued using Black-Scholes with the following assumptions: expected volatility of 165%, expected dividend yield of 0%, risk-free interest rate of 0.51% and an expected life of three years. The grant date fair value attributable to these options was $186,297 was recorded into general and administrative ("G&A") expenses – within marketing and sales – on the consolidated statements of loss and comprehensive loss during the year ended August 31, 2021.

On March 16, 2021, the Company granted 400,000 options to an advisory board member at an exercise price of $0.45, expiring on March 16, 2024. The options vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 165%, expected dividend yield of 0%, risk-free interest rate of 0.55% and an expected life of three years. The grant date fair value attributable to these options of $127,045 was recorded as stock-based compensation in connection with the vesting of these options during the year ended August 31, 2021.

On April 16, 2021, the Company granted 100,000 options to an employee at an exercise price of $0.45, expiring on April 16, 2024. The options vested at the following schedule: 30% immediately, 30% on the 6-month anniversary of grant, and 40% on the 1-year anniversary of grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 160%, expected dividend yield of 0%, risk-free interest rate of 0.49% and an expected life of three years. The grant date fair value attributable to these options was $30,716, of which $6,894 was recorded as stock-based compensation in connection with the vesting of these options during the year ended August 31, 2022 (2021 – $20,725).

On June 10, 2021, the Company granted 450,000 options to certain employees and consultants at an exercise price of $0.45, expiring on June 10, 2024. The options vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 161%, expected dividend yield of 0%, risk-free interest rate of 0.48% and an expected life of three years. The grant date fair value attributable to these options of $122,717 was recorded as stock-based compensation in connection with the vesting of these options during the year ended August 31, 2021.

(Expressed in Canadian Dollars)

10. Share-Based Payments Reserve (continued)

Option grants for the year ended August 31, 2021 (continued)

On July 30, 2021, the Company granted 600,000 options to various officers and directors at an exercise price of $0.30, expiring on July 30, 2024. The options vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 162%, expected dividend yield of 0%, risk-free interest rate of 0.54% and an expected life of three years. The grant date fair value attributable to these options of $110,302 was recorded as stock-based compensation in connection with the vesting of these options during the year ended August 31, 2021.

Option grants for the year ended August 31, 2022

On August 22, 2022, the Company granted 1,000,000 options to various officers, directors and employees at an exercise price of $0.10, expiring on August 22, 2025. The options vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 195%, expected dividend yield of 0%, risk-free interest rate of 3.39% and an expected life of three years. The grant date fair value attributable to these options of $67,477 was recorded as stock-based compensation in connection with the vesting of these options during the year ended August 31, 2022.

Options cancellation and expiry for the year ended August 31, 2022

On February 28, 2022, 50,000 options granted on August 26, 2020 to an employee of the Company at an exercise a price of $0.20, were cancelled.

On April 14, 2022, 100,000 options granted on April 16, 2021 to an employee at an exercise a price of $0.45, were cancelled.

On June 9, 2022, 400,000 options previously granted to the Company's former Chief Growth Officer (the "Former CGO") at an exercise a price of $0.30, were cancelled.

On August 3, 2022, 150,000 options granted on February 2, 2021 to an employee at an exercise a price of $0.30, and 200,000 options granted on June 10, 2021 to another employee at an exercise a price of $0.45, were also cancelled.

On August 22, 2022, 349,900 options granted on August 15, 2017 at an exercise a price of $0.15, expired unexercised.

The following table summarizes information of stock options outstanding and exercisable as at August 31, 2022:

Date of expiry	**Number of options outstanding**	**Number of options exercisable**	**Exercise price**	**Weighted average remaining contractual life**
	#	**#**	**$**	**Years**
August 23, 2023	485,000	485,000	0.20	0.99
October 27, 2023	270,000	270,000	0.30	1.16
December 15, 2023	450,000	450,000	0.30	1.29
February 2, 2024	565,000	565,000	0.30	1.42
March 8, 2024	500,000	500,000	0.45	1.52
March 16, 2024	400,000	400,000	0.45	1.54
June 10, 2024	100,000	100,000	0.45	1.78
July 30, 2024	600,000	600,000	0.30	1.92
August 22, 2025	1,000,000	1,000,000	0.10	2.98
	4,370,000	**4,370,000**	**0.28**	**1.80**

(Expressed in Canadian Dollars)

11. Warrants Reserve

The following summarizes the warrant activity for the years ended August 31, 2022 and 2021:

	August 31, 2022		August 31, 2021	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**6,556,888**	**0.17**	13,547,079	0.15
Issued	**-**	**-**	2,013,892	0.30
Issued	**-**	**-**	322,222	0.21
Exercised	**(907,431)**	**0.10**	(8,074,555)	0.10
Expired	**-**	**-**	(1,251,750)	0.65
Outstanding, end of year	**5,649,457**	**0.18**	6,556,888	0.17

Warrant issuances for the year ended August 31, 2021

On January 8, 2021, the Company issued 2,013,892 Warrants in conjunction with the Offering, as disclosed in Note 9. Each Warrant is exercisable at $0.30 to purchase one common share of the Company for a period of two years after closing of the Offering. The grant date fair value of the Warrants was estimated to be $255,018 using Black-Scholes with the following assumptions: expected volatility of 190%, expected dividend yield of 0%, risk-free interest rate of 0.19% and an expected life of two years.

In connection with the Offering, 322,222 Compensation Options were issued to the finders, representing 8% of the number of Units sold to subscribers introduced by finders. Each Compensation Option entitles the holder thereof to purchase a Unit, each comprised of one common share and one-half of a Warrant, at a price of $0.21 for a period of two years from closing of the Offering. Each underlying warrant is exercisable for $0.30 to purchase one common share of the Company for a period of two years from closing of the Offering. The grant date fair value of the Compensation Options was estimated to be $191,515 using Black-Scholes with the following assumptions: expected volatility of 190%, expected dividend yield of 0%, risk-free interest rate of 0.19% and an expected life of two years.

Warrant issuances for the year ended August 31, 2022

There were no warrant issuances during the year ended August 31, 2022.

The following summarizes the information of warrants outstanding as at August 31, 2022:

Date of expiry	**Number of warrants outstanding**	**Exercise price**	**Weighted average remaining contractual life**
	#	**$**	**Years**
January 8, 2023	2,013,892	0.30	0.36
January 8, 2023 [i]	322,222	0.21	0.36
July 14, 2023	3,313,343	0.10	0.87
	5,649,457	**0.18**	**0.66**

[i] Exercisable into one common share and one-half of one common share purchase warrant exercisable at $0.30 until January 8, 2023.

(Expressed in Canadian Dollars)

12. Basic and Diluted Loss per Share

The calculations of basic and diluted loss per share for the year ended August 31, 2022 were based on the net loss of $619,152 (2021 – net loss of $1,090,377) and the weighted average number of basic and diluted common shares outstanding of 49,057,631 (2021 – 34,434,122).

The details of the computation of basic and diluted loss per share for the years ended August 31, 2022 and 2021 are as follows:

	2022	2021
	$	$
Net Loss for the year	**(619,152)**	(1,090,377)
	#	#
Weighted-average number of shares outstanding – basic and diluted	**49,057,631**	34,434,122
	$	$
Loss per share – basic and diluted	**(0.01)**	(0.03)

13. 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. The Company's capital consists of its equity. Its principal sources of cash are from operations, and the issuance of common shares and debt. Management intends to maintain a flexible capital structure consistent with the objectives mentioned above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, raise secured debt or refinance existing debt with different characteristics.

The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the management team to sustain the future development of the business.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended August 31, 2022 and 2021.

14. Financial Instruments and Risk Management

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.

Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. 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 for short or long-term financing of its operations.

As at August 31, 2022, the contractual maturities of the Company's financial liabilities are as follows:

	Less than 1 year	**1 to 3 years**	**3 to 5 years**	**Total**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	1,482,083	-	-	**1,482,083**
Lease commitments	214,293	123,755	35,813	**373,861**
Total	**1,696,376**	**123,755**	**35,813**	**1,855,944**

14. Financial Instruments and Risk Management (continued)

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash is held with reputable chartered Canadian financial institutions, and in trust with the Company's legal counsel. Management reviews the strength of these institutions on a regular basis and believes that the credit risk concentration with respect to cash is minimal.

The Company's accounts receivable balance is subject to credit risk. The Company believes the recorded amounts will be collected. Holdbacks are received upon substantial completion of the projects.

The Company's aging of accounts receivable as at August 31, 2022 is as follows:

Accounts Receivable Aging	**August 31, 2022**	August 31, 2021
	$	$
Within 30 days	**1,225,678**	1,593,659
31 to 60 days	**570,291**	706,644
61 to 90 days	**267,401**	390,512
Over 90 days	**281,151**	118,239
Holdbacks	**120,132**	104,466
Allowance for expected credit loss	**(8,576)**	(6,197)
Total Accounts Receivable	**2,456,077**	2,907,323

The maximum exposure is limited to the carrying amount of financial assets on the consolidated statements of financial position that includes cash and accounts receivable. As at August 31, 2022, an allowance for ECL of $8,576 was included in accounts receivable (August 31, 2021 – allowance for ECL of $6,197 netted against accounts receivable).

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. The Company's convertible debentures have fixed interest rates. As at August 31, 2022, the Company had no hedging agreements in place with respect to floating interest rates.

Concentration risk

The concentration of revenue generated from major customers is not significant, with the three largest customers combined accounting for approximately 30% of gross revenue for the year ended August 31, 2022 (2021 – 24% of gross revenue).

As at August 31, 2022, one particular customer account comprises of approximately 29% of total outstanding accounts receivable, all of which is within 90 days aging (August 31, 2021 – approximately 14%).

Foreign exchange risk

The Company purchases a portion of its inventories in United States dollars ("USD") and does not currently engage in hedging activities. Accordingly, the Company is exposed to foreign exchange risk on a portion of its accounts payable and accrued liabilities and its USD bank account balances. However, the foreign exchange exposure to the Company at this time is not significant.

(Expressed in Canadian Dollars)

14. Financial Instruments and Risk Management (continued)

Categories and fair value of financial instruments

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. As at August 31, 2022, the Company's financial instruments consisted of cash, accounts receivable (excluding HST), investments, accounts payables and accrued liabilities, and finance lease obligations.

The fair value of cash, accounts receivables (excluding HST) and accounts payables and accrued liabilities are approximately equal to their carrying value due to their short-term nature. The fair values of the finance lease obligations approximate their carrying amounts as they were measured taking into consideration comparable instruments with similar risks in determining the rates at which to discount their amount in applying their respective measurement models.

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 August 31, 2022, the Company's financial instruments carried at fair value consisted of its investments, which have been classified as Level 3 (August 31, 2021 – classified as Level 2 for investment in a private-owned entity based on observable price).

15. Related Party Transactions

In accordance with IAS 24 – Related Party Disclosures, 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 of the Board.

The remuneration for members of key management personnel and directors during the years ended August 31, 2022 and 2021 were as follows:

	2022	2021
	$	$
Management remuneration	**359,288**	257,428
Professional fees	**67,000**	62,000
Directors' fees	**6,000**	-
Stock-based compensation (Note 10)	**76,001**	316,206
	508,289	735,634

Management remuneration

Remuneration of key management personnel of the Company for the year ended August 31, 2022 included short-term compensation of $258,750 and $100,538 for the Company's Chief Executive Officer ("CEO") and the Former CGO, respectively (2021 – $222,500 and $134,928, respectively). As at August 31, 2022, no balance was owed to any key management personnel (August 31, 2021 – $nil).

(Expressed in Canadian Dollars)

15. Related Party Transactions (continued)

Professional fees

During the year ended August 31, 2022, Branson Corporate Services Ltd. ("Branson"), where the Chief Financial Officer ("CFO") of UPI is employed, charged fees of $67,000 (2021 – $62,000), for providing CFO services to the Company, as well as other accounting and administrative services. As at August 31, 2022, $6,309 (August 31, 2021 – $6,462) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Directors' fees

During the year ended August 31, 2022, directors of the Company were paid compensation benefits of $6,000 for services rendered (2021 – $nil), which was charged to salaries and wages with G&A expenses. As at August 31, 2022, no balance was owed to any directors in relation to the fees (August 31, 2021 – $nil).

Stock-based compensation

During the year ended August 31, 2022, officers and directors of the Company received stock-based compensation of $76,001 (2021 – $316,206) on vesting of options granted.

16. Revenues

The Company's revenues for the years ended August 31, 2022 and 2021 were comprised of the following:

	2022	2021
	$	$
Construction and other product revenue	**4,731,619**	5,281,298
Commissions	**242,491**	114,068
Repairs revenue	**1,427,739**	1,661,222
Service revenue	**1,541,101**	1,761,085
	7,942,950	8,817,673

17. General and Administrative Expenses

General and administrative expenses for the years ended August 31, 2022 and 2021 were comprised of the following:

	2022	2021
	$	$
Salaries and wages	**1,526,015**	1,511,501
Office expenses	**527,862**	632,122
Professional and consulting fees	**551,441**	640,746
Marketing and sales	**35,832**	670,487
Travel	**18,723**	(9,947)
Bad debt expense (recovery)	**8,098**	(42,869)
	2,667,971	3,402,040

18. Government Assistance

On April 11, 2020, the Government of Canada enacted the Canada Emergency Wage Subsidy (“CEWS”), which provides a wage subsidy to eligible Canadian employers to enable them to continue to pay their Canadian employees through their payroll. To qualify for the CEWS, companies must satisfy certain eligibility criteria, including among others, a significant decline in revenue as compared to earlier periods. Eligible employers will have to sustain losses of “qualifying revenues” that meet pre-determined thresholds during the eligible periods. Each applicant’s eligibility for these programs is subject to validation and detailed verification by the federal government. The Company qualified for the CEWS and applied for the subsidy.

In 2021, the Company also applied for the Canada Emergency Rent Subsidy (“CERS”), which provided eligible Canadian businesses, non-profit organizations, or charities who have seen a drop in revenue due to COVID-19, for a subsidy to cover part of their commercial rent or property expenses, between September 27, 2020 until October 23, 2021. The CERS provided payments directly to qualifying renters and property owners, without requiring the participation of landlords. As of October 24, 2021, subsidy programs such as CEWS and CERS had been replaced.

During the year ended August 31, 2022, the Company received CEWS funding of $36,553 (2021 – $781,249) and CERS funding of $7,254 (2021 – $78,644), respectively, which has been recorded as government assistance on the consolidated statements of loss and comprehensive loss.

19. Contingent Liabilities and Commitments

During the year ended August 31, 2019, a lawsuit was filed against the Company by a former employee for a claim of approximately $815,000. The Company believes the employment was terminated for cause. Since it presently is not possible to determine the outcome of this matter, no provision has been made on the consolidated financial statements.

During the year ended August 31, 2022, a lawsuit was filed against the Company by a former employee for a claim of approximately $145,000. The Company believes the employment was terminated for cause. As at August 31, 2022, the Company determined that it was not possible to determine the outcome of this matter. Subsequent to year-end, the Company settled an amount of $40,000 on the lawsuit. As a result, the Company recorded a provision of $40,000 on the consolidated statements of financial position as at August 31, 2022 (August 31, 2021 – $nil).

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business. Management is of the opinion, based on information currently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect to the Company’s consolidated financial position, liquidity, or results of operations.

(Expressed in Canadian Dollars)

20. Segmented Information

The Company's segments have been organized based on its principal business operations (Corporate, and Controls and Mechanical Contracting), all within Canada.

Year ended August 31, 2022	**Corporate**	**Controls and Mechanical Contracting**	**Total**
	$	**$**	**$**
Capital expenditures	-	24,386	24,386
Total assets	1,327,122	4,176,484	5,503,606
Statement of Operations			
Revenue	-	7,942,950	7,942,950
Cost of sales	-	(5,575,702)	(5,575,702)
General and administrative	(1,020,381)	(1,647,590)	(2,667,971)
Depreciation	-	(248,361)	(248,361)
Finance expense	(644)	(50,090)	(50,734)
Inventory provision	-	(62,709)	(62,709)
Stock-based compensation	(104,175)	-	(104,175)
Gain on disposal of equipment	-	51,869	51,869
Government assistance	-	43,807	43,807
Current tax recovery	-	34,269	34,269
Deferred tax recovery	-	17,605	17,605
Segmented Income (Loss)	**(1,125,200)**	**506,048**	**(619,152)**

Year ended August 31, 2021	**Corporate**	**Controls and Mechanical Contracting**	**Total**
	$	**$**	**$**
Capital expenditures	-	39,495	39,495
Total assets	1,219,277	4,907,860	6,127,137
Statement of operations			
Revenue	-	8,817,673	8,817,673
Cost of sales	-	(6,007,035)	(6,007,035)
General and administrative	(1,819,088)	(1,582,952)	(3,402,040)
Depreciation	-	(250,003)	(250,003)
Finance expense	(66,818)	(56,592)	(123,410)
Inventory provision	-	(49,642)	(49,642)
Stock-based compensation	(804,814)	-	(804,814)
Gain on disposal of equipment	-	82,580	82,580
Government assistance	-	859,893	859,893
Gain on derecognition of ROU asset	-	1,443	1,443
Loss on conversion of debt	(3,350)	-	(3,350)
Current tax expense	-	(184,262)	(184,262)
Deferred tax expense	-	(27,410)	(27,410)
Segmented Income (Loss)	**(2,694,070)**	**1,603,693**	**(1,090,377)**

(Expressed in Canadian Dollars)

21. Unbilled Receivables and Deferred Revenue

Unbilled receivables

	$
Balance, August 31, 2020	**281,571**
Excess of revenue earned over billings	99,288
Balance, August 31, 2021	**380,859**
Excess of revenue earned over billings	7,923
Balance, August 31, 2022	**388,782**

Deferred revenue

	$
Balance, August 31, 2020	**164,077**
Excess of billings over revenue earned	115,801
Balance, August 31, 2021	**279,878**
Excess of billings over revenue earned	235,610
Balance, August 31, 2022	**515,488**

22. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2021 – 26.5%) to the effective tax rate is as follows:

Provision for income tax

	2022	2021
	$	$
Net loss before recovery of income taxes provision	**(671,026)**	(878,705)
Expected income tax (recovery) expense	**(177,820)**	(232,860)
Share issuance cost booked directly to equity	**-**	(74,360)
Adjustments in respect of prior periods	**(41,050)**	-
Tax credits	**-**	(105,620)
Share-based compensation and non-deductible expenses	**29,420**	205,450
Conversion into common shares	**-**	(74,090)
Change in tax benefits not recognized	**137,585**	493,152
Income tax expense (recovery)	**(51,865)**	211,672

The Company's income tax expense (recovery) is allocated as follows:

	2022	2021
	$	$
Current tax expense (recovery)	**(34,265)**	184,262
Deferred tax expense (recovery)	**(17,600)**	27,410
Income tax expense (recovery)	**(51,865)**	211,672

(Expressed in Canadian Dollars)

22. Income Taxes (continued)

Deferred tax

The following table summarizes the components of deferred tax:

	2022	2021
	$	$
Deferred Tax Assets		
Capital lease obligation	**83,230**	134,290
Reserves	**2,270**	-
	85,500	134,290
Deferred Tax Liabilities		
Property and equipment	**(95,310)**	(138,930)
Input tax credits utilized	**-**	(22,770)
	(95,310)	(161,700)
Net deferred tax liability	**(9,810)**	(27,410)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movements in net deferred tax liabilities

	2022	2021
	$	$
Balance, beginning of year	**(27,410)**	-
Recognized in profit or loss	**17,600**	(27,410)
Balance, end of year	**(9,810)**	(27,410)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2022	2021
	$	$
Share issuance costs	**277,320**	387,920
Non-capital losses carried forward	**8,517,870**	7,888,090
Net capital loss carried forward	**11,841,770**	11,841,770
	20,636,960	20,117,780

The Canadian non-capital loss carry-forwards expire as noted in the table below. The capital loss carry-forward may be carried forward indefinitely but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

(Expressed in Canadian Dollars)

22. Income Taxes (continued)

The Company's Canadian non-capital income tax losses expire as follows:

	$
2033	484,720
2034	1,926,620
2035	1,571,600
2036	1,089,840
2037	252,120
2038	209,480
2039	344,870
2040	590,940
2041	1,417,900
2042	629,770
	8,207,860

23. Subsequent Event

On December 2, 2022, the Company entered into a share purchase agreement with Dexterra Group Inc. (the "Purchaser") that provides for the sale (the "Transaction") of all of the issued and outstanding shares of VCI. In consideration, the Purchaser will pay the Company an aggregate cash purchase price of $4,000,000, plus the amount of cash held by VCI on closing of the Transaction (up to a maximum of $750,000), subject to normal closing adjustments. The estimated purchase price, less indemnity and employment holdback amounts totalling $980,000 (the "Holdback Amount") shall be paid and satisfied at closing by the Purchaser to the Company.

Completion of the Transaction is subject to certain conditions, which include applicable regulatory and stock exchange approvals and the approval of not less than 66 2/3% of the votes cast by shareholders represented in person or by proxy at the meeting of shareholders that will be held on or about January 27, 2023.

SCHEDULE “B”

Xemoto Media Ltd.

Unaudited Condensed Interim Financial Statements

For the three and nine months Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

Xemoto Media Ltd.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars - Unaudited)

	As at December 31, 2023	As at March 31, 2023
	Unaudited	Audited
	$	$
Assets		
Current Assets		
Cash	**107,297**	42,874
Accounts receivables (Note 4)	**51,736**	10,303
Total Current Assets	**159,033**	53,177
Computer equipment and software (Note 5)	**51,504**	70,504
Total Assets	**210,537**	123,681
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	**813,667**	923,491
Notes payable (Note 7(a)(b)(c))	**67,000**	280,500
Deferred revenue	**93,883**	127,489
BDC loan – current portion (Note 8)	**48,740**	
UPI loan (Note 7(c))	**250,000**	-
Total Current Liabilities	**1,273,289**	1,331,480
BDC loan (Note 8)	**201,260**	125,000
Convertible debenture (Note 9)	**87,907**	-
Total Liabilities	**1,562,456**	1,456,480
Shareholders' Equity		
Share capital (Note 10)	**2,947,385**	1,680,272
Equity component of debentures (Note 9)	**7,704**	-
Reserve for share-based payments (Note 11)	**174,636**	146,712
Reserve for warrants (Note 12)	**1,326,247**	1,326,247
Accumulated deficit	**(5,807,892)**	(4,486,030)
Total Equity	**(1,351,920)**	(1,332,799)
Total Liabilities and Shareholders' Equity	**210,537**	123,681

Nature of operations and going concern (Note 1)
Subsequent events (Note 17)

Approved on behalf of the Board of Directors:

"Jeremy Goldman" (signed)
Director

"Brandon Mina" (signed)
Director

Xemoto Media Ltd.

Condensed Interim Statements of Loss and Comprehensive Loss
For the three and nine months ended December 31, 2023 and 2022
(Expressed in Canadian Dollars - Unaudited)

	For the Three Months ended December 31,		For the Nine Months ended December 31,	
	2023	2022	**2023**	2022
	$	$	**$**	$
Revenue				
Sales	**134,990**	74,965	**458,394**	152,468
Cost of sales	**(78,315)**	(46,270)	**(244,556)**	(93,723)
Gross Profit (loss)	**56,675**	28,695	**213,838**	58,745
Expenses				
Salaries and consulting fees (Note 13)	**271,593**	322,954	**774,687**	1,010,423
Professional fees (Note 13)	**218,552**	58,578	**462,362**	160,015
Share-based compensation (Notes 10, 11 and 12)	**22,361**	20,671	**55,437**	72,665
Research and development	**7,054**	4,946	**20,097**	140,943
Office and general	**45,688**	18,274	**75,287**	49,148
Marketing and advertising	**30,310**	5,347	**48,787**	46,763
Amortization (Note 5)	**6,333**	6,335	**19,000**	18,575
Travel, and meals & entertainment	**5,100**	873	**8,978**	6,762
	(606,990)	(437,978)	**(1,464,635)**	(1,505,294)
Loss before Other Expenses	**(550,316)**	(409,283)	**(1,250,797)**	(1,446,549)
Other Losses				
Interest and accretion (Note 7 and 9)	**(12,141)**	(3,901)	**(30,195)**	(4,143)
Foreign exchange loss	**(6,178)**	(2,559)	**(9,819)**	(8,827)
Gain/loss on debt (note 10)	**-**	3,116	**(136,764)**	3,116
	(18,319)	(3,343)	**(176,778)**	(9,853)
Net loss before taxes	**(568,634)**	(412,627)	**(1,427,574)**	(1,456,403)
Other income	**105,712**	114,884	**105,712**	114,884
Net Comprehensive Loss	**(462,922)**	(297,743)	**(1,321,862)**	(1,341,519)
Loss per share – basic and diluted				
Loss per share	**(0.004)**	(0.006)	**(0.012)**	(0.027)
Weighted average number of shares outstanding	**129,741,409**	53,072,419	**114,071,140**	49,252,502

The accompanying notes are an integral part of these financial statements

Xemoto Media Ltd.
Condensed Interim Statements of Cash Flows
For the nine months ended December 31, 2023 and 2022
(Expressed in Canadian Dollars - Unaudited)

	2023	2022
	$	$
Operating Activities		
Net loss for the period	**(1,321,862)**	(1,368,101)
Adjustments for non-cash items:		
Share-based compensation (Notes 11 and 12)	**55,437**	72,665
Amortization on computer and software (Note 5)	**19,000**	18,575
Interest & accretion	**15,472**	-
Shares issued to vendors for services and loans	**23,204**	-
Gain (Loss) on debt settlement	**136,764**	-
	(1,071,985)	(1,276,861)
Net change in non-cash working capital items:		
Accounts receivables	**(41,433)**	(36,183)
Deferred revenue	**(33,606)**	44,158
Accounts payable and accrued liabilities	**265,637**	160,891
Cash Flows (used in) Operating Activities	**(881,387)**	(1,107,995)
Financing Activities		
Proceeds from private placement financings (Note 10)	**323,809**	470,000
Share issue costs	**-**	(41,291)
Shares to be issued	**-**	60,000
BDC loan (Note 8)	**125,000**	-
Advances received from related party (Note 7)	**155,000**	217,500
Proceeds from private placements – convertible debenture (Note 9)	**100,000**	-
Loan advance	**250,000**	-
Share issue costs – convertible debenture	**(8,000)**	-
Cash Flows provided by Financing Activities	**945,809**	706,209
Investing Activities		
Computer equipment and software	**-**	(4,459)
Cash Flows (used in) Investing Activities	**-**	(4,459)
Increase (decrease) in cash	**64,422**	(406,245)
Cash, beginning of period	**42,874**	444,237
Cash, end of period	**107,296**	37,992

The accompanying notes are an integral part of these financial statements

Xemoto Media Ltd.

Condensed Interim Statements of Changes in Shareholders' Equity
For the nine months ended December 31, 2023 and 2022
(Expressed in Canadian Dollars - Unaudited)

	Number of shares	Share Capital	Equity Component of Convertible Debentures	Shares to be issued	Share-based payments	Warrants Reserve	Accumulated deficit	Total
	#	$			$	$	$	$
Balance, March 31, 2022	**42,343,763**	**1,294,402**	**-**	**-**	**72,918**	**1,164,091**	**(2,492,511)**	**38,900**
Issuance of shares to vendors for services (Note 10)	190,000	6,384	-	-	-	-	-	6,384
Issuance of shares on debt settlement (Note 10)	1,138,656	41,558	-	-	-	15,375	-	56,933
Issuance of shares from private placements (Notes 10)	-	343,103	-	60,000	-	149,534	-	552,637
Issue costs	-	(46,668)	-	-	-	(17,260)	-	(63,928)
Stock-based compensation (Note 11)	-	-	-	-	56,229	-	-	56,229
Net loss for the period	-	-	-	-	-	-	(1,341,518)	(1,341,518)
Balance, December 31, 2022	**43,672,419**	**1,638,779**	**-**	**60,000**	**129,147**	**1,311,740**	**(3,834,029)**	**(694,363)**
Balance, March 31, 2023	**54,272,419**	**1,680,272**	**-**	**-**	**146,712**	**1,326,247**	**(4,486,030)**	**(1,332,799)**
Issuance of shares to vendors 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 (Note 9)	-	-	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)**

1. Nature of Operations and Going Concern

Xemoto Media Ltd. ("Xemoto" or the "Company" formerly known as Untappedlabs Inc.), was incorporated under the Business Corporations Act (Ontario) on July 6, 2020, under the name "Untappedlabs Inc". Effective May 14, 2021, the Company filed Articles of Amendment, and changed its name to Xemoto Media Ltd.

Xemoto is an influencer marketing software-as-a-service company focused on connecting businesses operating in highly regulated industries with their consumers. Using its core proprietary platform, Spectrum ("Spectrum"), and other technology focused means, Xemoto disseminates its clients' marketing and advertising messaging, news releases, corporate presentations and other content that may appeal to businesses, individual consumers, and retail investors. Such messaging may be used by small and mid-sized influencers (often referred to as "micro-influencers") and financial influencers (often referred to as "finfluencers"), to develop content subsequently disseminated to their followers through a wide range of social media channels including Facebook, Twitter, Instagram, and Tiktok.

Spectrum facilitates overall client and influencer campaign management with a focus on investor, business-to-business ("B2B") and business-to-consumer ("B2C") communications. This is achieved via dynamic interaction between customers, influencers and their followers, including the coordination of messaging and content over a wide range of influencers, tracking of campaign progression, data collection and performance analytics of campaigns for clients, and facilitation of payment.

The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

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, 2023, it incurred a net and comprehensive loss of $1,365,520 (December 31, 2022 – $1,368,101), and as of that date, the Company's accumulated deficit was $5,851,550 (March 31, 2023 – $4,486,030). It is not possible to predict whether financing efforts will continue to be successful in the future or if the Company will attain profitable levels of operations. These conditions, including the unpredictability of the SaaS business, represent material uncertainties which may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not include adjustments to the carrying values of the assets and liabilities, the reported sales and expenses, and the balance sheet classifications used, which would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance

The Company's unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting.

These unaudited condensed interim financial statements were reviewed, approved and authorized for issuance by the Board of Directors (the "Board") of the Company on April 1, 2024.

2. Basis of Presentation (continued)

(b) Basis of Measurement and Functional Currency

These unaudited condensed interim 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 of the audited financial statements for the year ended March 31, 2023. In addition, these unaudited condensed interim financial statements for the three and nine months ended December 31, 2023 and 2022 have been prepared using the accrual basis of accounting, except for cash flow information.

These unaudited condensed interim 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) Critical Accounting Judgments and Estimates

The preparation of these condensed interim 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. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows and the Company's cash position at period-end.

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 licensing its proprietary software. 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 services income is recognized over time when the services have been provided and control of the deliverable has been transferred to the customer. 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 are 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 contains 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 Company's common shares (the "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, software and intangibles

Depreciation of property and equipment is dependent upon estimates of useful lives 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 Common Shares purchase warrants of the Company (each a "Warrant") or options, and expected risk-free interest rate.

3. Summary of Material Accounting Policies

The accounting policies applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those noted in the Company's audited consolidated financial statements for the year ended March 31, 2023, unless otherwise noted below.

(a) Adoption of New Accounting Standards

The Company adopted the following amendments, effective April 1, 2023. These changes were made in accordance with the applicable transitional provisions. There was no material impact upon adoption of these amendments on the Company's unaudited condensed interim financial statements.

(Expressed in Canadian Dollars - Unaudited)

3. Summary of Material Accounting Policies (continued)

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments became effective for annual periods beginning on or after January 1, 2023.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amended IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 8 became effective for annual periods beginning on or after January 1, 2023.

Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19.

4. Accounts Receivable

	December 31, 2023	March 31, 2023
	$	$
Sales tax refund receivable	**16,242**	10,303
Trade receivables	**123,515**	-
	139,757	10,303

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

(Expressed in Canadian Dollars - Unaudited)

5. Computer, software and intangibles

The Company's property and equipment are comprised of the following as at December 31, 2023 and March 31, 2023:

	Computer equipment	Software	Total
	$	$	$
Cost at:			
Balance, March 31, 2022	14,543	95,000	**109,543**
Addition for the period	4,458	-	**4,458**
Balance, March 31, 2023	**19,001**	**95,000**	**114,001**
Addition for the period	-	-	**-**
Balance, December 31, 2023	**19,001**	**95,000**	**114,001**
Accumulated depreciation/amortization at:			
Balance, March 31, 2022	1,964	16,625	**18,589**
Depreciation	5,908	19,000	**24,908**
Balance, March 31, 2023	**7,872**	**35,625**	**43,497**
Depreciation	4,750	14,250	**19,000**
Balance, December 31, 2023	**12,623**	**49,875**	**62,498**
Net book value:			
March 31, 2023	**11,128**	**59,375**	**70,504**
December 31, 2023	**6,379**	**45,125**	**51,504**

Software comprised of the Company's core proprietary platform, Spectrum. Spectrum connects Xemoto's clients with influencers, who create and disseminate investor focused content to their followers across various social media channels on behalf of Xemoto's clients.

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases incurred in the normal course of business. The Company's accounts payable and accrued liabilities consisted of the following as at December 31, 2023 and March 31, 2023:

	December 31, 2023	March 31, 2023
	$	$
Accounts payables	**455,951**	395,103
Accrued liabilities	**357,716**	528,388
	813,667	923,491

(Expressed in Canadian Dollars - Unaudited)

7. Notes Payable

Related party notes

(a) 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% per year compounded annually and payable on demand. During the nine months ended December 31, 2023, an additional $155,000 Notes were issued under the same terms.

(b) 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 10a). As at December 31, 2023, the notes payable balance was $67,000 (March 31, 2023 – $280,500). Accrued interest on the Notes of $13,212 (September 30, 2022 – $nil) was included in accounts payable and accrued liabilities.

As at December 31, 2023, the breakdown of the Notes is as follows:

Issuance Date	Recipient's Relationship to the Company	Principal Amount
		$
September 12, 2022	Former executive	40,000
June 9, 2023	Executive	15,000
June 9, 2023	Director	12,000
Total Notes Payable Balance		**67,000**

UPI Loan

(c) On September 18, 2023, the Company entered into a binding letter of intent (the "LOI") with Universal PropTech Inc. ("UPI") whereby UPI intends to acquire (the "Proposed Transaction") 100% of the issued and outstanding securities of the Company (the "Xemoto Securities") and securityholders of the Company will receive UPI Securities (as defined below) in exchange for their Xemoto Securities. UPI and the Company agreed to negotiate and enter into a definitive agreement in respect of the Proposed Transaction on or before October 31, 2023 (the "Definitive Agreement"). Pursuant to the Proposed Transaction: (i) holders of Common Shares will receive 0.225 of a common share in the capital of UPI (each whole share being a "UPI Share") for each Common Share (the "Exchange Ratio") held; and (ii) all outstanding securities convertible into Common Shares shall be exchanged, based on the Exchange Ratio, for equivalent securities to purchase UPI Shares on substantially similar terms and conditions (the "UPI Securities"). Pursuant to the terms of the LOI and pending the acceptance of the TSX Venture Exchange, UPI and the Company agreed to enter into a loan agreement (the "UPI Loan") whereby UPI would advance $250,000 to the Company (the "Principal Sum"). The maturity date of the UPI Loan will be the earlier of (i) the closing of the Proposed Transaction, (ii) the termination of the LOI by either party or expiry of the LOI without having executed a Definitive Agreement in respect of the Proposed Transaction (the "Maturity Date"). The UPI Loan shall bear no interest until the Maturity Date if repaid in accordance with its terms.

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 the execution of the BDC Loan. The remaining $125,000 of the BDC Loan was distributed on July 28, 2023.

(Expressed in Canadian Dollars - Unaudited)

8. BDC loan (continued)

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

The maturity date of the BDC Loan will be January 1, 2030.

For the nine months ended December 31, 2023, interest charged on the BDC Loan in the amount of $18,006 (March 31, 2023 – $1,760).

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 $0.025 (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 $0.075 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.

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 d 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 three months ended December 31, 2023, the Company had recorded an interest and accretion expense of $3,611 on the Debentures, which are included in interest and accretion on the statements of loss and comprehensive loss.

(Expressed in Canadian Dollars - Unaudited)

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, 2023 and 2022 are as follows:

	Number of common shares	Amount
	#	$
Balance, March 31, 2022	42,343,763	1,294,402
Share issued for service	190,000	6,384
Share issued for debt	1,138,656	41,558
Shares issued for private placement	10,600,000	389,403
Share issuance costs	-	(51,475)
Balance, March 31, 2023	**54,272,419**	**1,680,272**
Shares issued for private placement (a)(b)(c)	69,705,001	697,050
Shares issued for service (d)(e)(f)(g)(h)(k)(n)(p)(q)(r)	20,155,385	382,175
Shares issued on former CEO Agreement (o)	2,000,000	20,000
Shares issued for bonus (i)(j)(m)	3,741,073	136,100
Shares issued on exercise of RSUs (o)	900,000	27,513
Shares issued for former CEO's salaries (l)	427,531	4,275
Balance, December 31, 2023	**151,201,409**	**2,947,385**

Share capital transactions for the nine months period ended December 31, 2023

(a) On June 8, 2023, the Company closed a non-brokered private placement (the "Tranche 1, 2023") through the issuance of 45,055,001 Common Shares at a price of $0.01 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, 3,604,400 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 8,900,000 Common Shares at a price of $0.01 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, 712,000 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.

10. Share Capital (continued)

Financings - Private Placements (continued)

(c) On November 16, 2023, the Company closed a non-brokered private placement (the "Tranche 3, 2023") through the issuance of 15,750,000 Common Shares at a price of $0.01 per Common Share, for gross proceeds of $157,500. In connection with Tranche 3, 2023 Offering, 1,260,000 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.

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 285,600 Common Shares at a deemed issue price of $0.05 per Common Share, 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 255,399 Common Shares at a deemed issue price of $0.01 per Common Share, 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 113,274 Common Shares at a deemed issue price of $0.01 per Common Share, 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 2,971,112 Common Shares at a deemed issue price of $0.01 per Common Share, 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 2,720,000 Common Shares at a deemed issue price of $0.01 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 2,660,000 Common Shares at a deemed issue price of $0.01 per Common Share, resulting in a gain on settlement of $30,324.

(j) On May 22, 2023, the Company issued 760,716 Common Shares to certain Note holders of the Company at a deemed issue price of $0.01 per Common Share (resulting in a loss on settlement of $21,756), as bonus shares for bridging the financial needs of the Company.

(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 10,000,000 Common Shares at a deemed issue price of $0.01 per Common Share.

(l) On June 9, 2023, the Company issued 427,531 Common Shares to the former CEO in connection with temporary salary reduction at a deemed issue price of $0.01 per Common Share, resulting in a gain on settlement of $9,975.

(m) On June 9, 2023, the Company issued 320,357 bonus shares to certain former executives in connection with bridging the Company's financial needs at a deemed issue price of $0.01 per Common Share.

10. Share Capital (continued)

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 1,000,000 Common Share at a deemed issue price of $0.01 per Common Share.

Other Issuances of Common Shares

(n) On October 13, 2023, pursuant to a voluntary separation agreement ("CEO Agreement") between the Company and its previous CEO, the Company issued 2,000,000 Common Shares to the previous CEO at a deemed issue price of $0.01 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 900,000 restricted share units of the Company (“RSUs”) were completely vested and converted to Common Shares as part of the CEO Agreement.

(o) 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 400,000 Common Shares at a deemed issue price of $0.01 per Common Share.

(p) 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 1,710,000 Common Shares at a deemed issue price of $0.01 per Common Share.

(q) 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 700,000 Common Shares at a deemed issue price of $0.01 per Common Share.

Share capital transactions for the year ended March 31, 2023

(s) On June 8, 2022, the Company issued 190,000 Common Shares to settle an amount of $9,500 to a consultant for services performed. The Common Shares were measured at the implied share price of $0.0366 per share based on the March 18, 2022 financing for a total value of $6,384 with a gain of $3,116 on debt settlement.

(t) On June 8, 2022, the Company issued 1,138,656 units (each a "June 2022 Unit") at a deemed issue price of $0.05 per June 2022 Unit to certain founders of the Company in the amount of $56,933 for settlement of compensation due. Each June 2022 Unit was comprised of one Common Share and one-half of a Warrant, each whole Warrant entitling the holder thereof to acquire one additional Common Share with an exercise price of $0.12 until the earlier of (i) the fifth anniversary of the issuance of the Warrant, and (ii) two years following the completion by the Company of: (a) a distribution to the public of Common Shares in Canada or the United States pursuant to a prospectus or registration statement, as applicable, and the concurrent listing of such Common Shares for trading on a recognized exchange in Canada or the United States; or (b) another transaction as a result of which all outstanding Common Shares, or the securities of another issuer issued in exchange for all such outstanding Common Shares, are traded on a recognized exchange in Canada or the United States and are freely tradable (subject to resale restrictions on any concurrent financing and control block restrictions), including by way of a reverse takeover transaction.

(u) On July 11, 2022, the Company closed a private placement financing (the "July 2022 Offering") of 9,400,000 units (each a "July 2022 Unit"), at a price of $0.05 per July 2022 Unit for gross proceeds of $470,000. Each July 2022 Unit was comprised of one Common Share and one-half of a Warrant, each whole Warrant exercisable at $0.12 for a period of five years from the closing of the July 2022 Offering. In connection with the July 2022 Offering, the Company paid finders’ fees of $37,600 and issued 752,000 Finders’ Warrants, each exercisable into one Common Share at a price of $0.05 for a period of five years from closing of the July 2022 Offering.

(Expressed in Canadian Dollars - Unaudited)

10. Share Capital (continued)

(v) On January 12, 2023, the Company closed a private placement financing (the "January 2023 Offering") of 1,200,000 units (each a "January 2023 Unit") at a price of $0.05 per January 2023 Unit, for gross proceeds of $60,000. Each January 2023 Unit was comprised of one Common Share and one-half of a Warrant, each whole Warrant exercisable at $0.12 for a period of five years from closing of the January 2023 Offering. In connection with the January 2023 Offering, the Company paid finders' fees of $4,000 and issued 80,000 Finders' Warrants, each exercisable into one Common Share at a price of $0.05 for a period of five years from closing of the January 2023 Offering.

11. Reserve for Share-Based Payments

Stock options

The Company maintains a stock option plan (the "Option Plan") whereby certain key officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of Common Shares that are issuable under the Option Plan is limited to 20% of the number of issued and outstanding Common Shares. Under the Option Plan, the exercise price of each option may not be less than either (i) the closing price of the Company's Common Shares on the trading day prior to the grant date or the grant date itself, whichever is higher; or (ii) in the event the Common Shares are not listed on any recognized securities exchange, the price set by the Board. Vesting of options is determined at the discretion of the Board. As at December 31, 2023, the Company had 20,740,281 Common Shares available for issuance under the Option Plan.

The following summarizes the stock option activity for the period ended December 31, 2023 and March 31, 2023:

	December 31, 2023		March 31, 2023	
	Number of options	**Weighted average exercise price**	Number of options (1)	Weighted average exercise price(1)
	#	**$**	#	$
Outstanding, beginning of period	**4,500,000**	**0.05**	4,500,000	0.05
Granted	**5,000,000**	**0.03**	800,000	0.05
Cancelled	**-**	**-**	(800,000)	0.05
Outstanding, end of period	**9,500,000**	**0.04**	4,500,000	0.05
Exercisable, end of period	**9,050,000**	**0.04**	2,358,333	0.05

Options transactions for the period ended December 31, 2023

(a) On October 13, 2023, the Company granted 5,000,000 stock options to an executive. 1/3 of the options will have an exercise price of $0.02 per Common Share, 1/3 of the options will have an exercise price of $0.035 per Common Share and 1/3 of the options have an exercise price of $0.04 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 1/3 vest on October 13, 2025 until all options are fully vested.

Options transactions for the year ended March 31, 2023

(b) On May 30, 2022, the Company granted 400,000 options to a number of its employees, with an exercise price of $0.05 per Common Share. The options expire on May 30, 2027. The options vested in thirds: one-third (1/3) on December 31, 2022, one-third (1/3) on July 1, 2023, and one-third (1/3) on December 31, 2023. The options were valued using Black-Scholes with the following assumptions: expected volatility of 125% 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 $11,077, of which $8,470 was recorded as share-based compensation in connection with the vesting of these options during the year ended March 31, 2023.

(Expressed in Canadian Dollars - Unaudited)

11. Reserve for Share-Based Payments (continued)

(c) On September 13, 2022, 400,000 options granted to a consultant of the Company on February 2, 2022, with an exercise price of $0.05 per Common Share were cancelled. The options were cancelled in accordance with the Option Plan following the holder ceasing to be a consultant of the Company.

(d) On September 16, 2022, the Company granted 400,000 options to an executive of the Company, with an exercise price of $0.05 per Common Share. The options expire on September 30, 2027. The options vest in thirds: one-third (1/3) immediately on grant, one-third (1/3) on July 1, 2023, and one-third (1/3) on December 31, 2023. The options were valued using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.41% and an expected life of five years. The grant date fair value attributable to these options was $12,054, of which $8,425 was recorded as share-based compensation in connection with the vesting of these options during the year ended March 31, 2023.

(e) On October 19, 2022, 200,000 options granted on February 8, 2022, to a former employee of the Company with an exercise price of $0.05 per Common Share were cancelled. The options were cancelled in accordance with the Option Plan following the holder ceasing to be an employee of the Company.

(f) On January 19, 2023, 200,000 options granted on February 8, 2022 to a former employee of the Company with an exercise price of $0.05 per Common Share were cancelled. The options were cancelled in accordance with the Option Plan following the holder ceasing to be an employee of the Company.

The following table summarizes information of stock options outstanding and exercisable as at December 31, 2023:

Date of expiry	**Number of options outstanding**	**Number of options exercisable**	**Exercise price**	**Weighted average remaining contractual life**
	#	**#**	**$**	**Years**
November 1, 2026	900,000	450,000	0.05	2.84
November 30, 2026	2,800,000	2,800,000	0.05	2.92
May 30, 2027	400,000	400,000	0.05	3.41
September 16, 2027	400,000	400,000	0.05	3.71
October 13, 2028	1,666,666	1,666,666	0.02	4.79
October 13, 2028	1,666,667	1,666,667	0.035	4.79
October 13, 2028	1,666,667	1,666,667	0.04	4.79
	9,500,000	**9,050,000**	**0.04**	**3.95**

Restricted share units ("RSUs")

On November 1, 2021, the Company granted 900,000 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)).

On May 22, 2023, the Company granted 1,400,000 RSU to directors and officers of which 490,000 vest on the first anniversary of grant and 455,000 are vested on the second and third anniversaries of grant. Share-based compensation of $16,780 (September 30, 2022 - $9,163) in connection with the vesting of RSUs was recorded during the nine months ended December 31, 2023.

(Expressed in Canadian Dollars - Unaudited)

11. Reserve for Share-Based Payments (continued)

The following summarizes the RSU activities for the nine months ended December 31, 2023 and March 31, 2023

	December 31, 2023		March 31, 2023	
	Number of warrants	**Weighted average exercise price (1)**	Number of warrants	Weighted average exercise price (1)
	#	**$**	#	$
Outstanding, beginning of period	**900,000**	**0.05**	900,000	0.05
Granted	**1,400,000**	**0.01**	-	-
Exercised	**(900,000)**	**0.05**	-	-
Outstanding, end of period	**1,400,000**	**0.03**	900,000	0.05

The following table summarizes information of RSUs outstanding and exercisable as at December 31, 2023:

Date of expiry	**Number of RSUs outstanding**	**Number of RSUs exercisable**	**Exercise price**	**Weighted average remaining contractual life**
	#	**#**	**$**	**Years**
May 22, 2026	1,400,000	-	0.01	2.39

(Expressed in Canadian Dollars - Unaudited)

12. Reserve for Warrants

The following summarizes the Warrant activity for the nine months ended December 31, 2023 and year ended March 31, 2023:

	December 31, 2023		March 31, 2023	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**28,097,323**	**0.11**	21,395,995	0.12
Issued from debt settlement	-	-	569,328	0.12
Issued from private placement offerings	-	-	5,300,000	0.12
Issued from private placement offerings	-	-	832,000	0.05
Outstanding, end of period	**28,097,323**	**0.11**	28,097,323	0.11

The following table summarizes information of Warrants outstanding as at December 31, 2023:

Date of expiry	**Number of warrants outstanding**	**Exercise price**	**Weighted average remaining contractual life**
	#	**$**	**Years**
February 17, 2027	12,063,795	0.12	3.14
February 18, 2027	7,120,000	0.12	3.14
February 18, 2027	1,139,200	0.05	3.14
March 18, 2027	925,000	0.12	3.21
March 18, 2027	148,000	0.05	3.21
June 8, 2027	568,328	0.12	3.44
July 11, 2027	4,700,000	0.12	3.53
July 11, 2027	752,000	0.05	3.53
January 12, 2028	600,000	0.12	4.04
January 12, 2028	80,000	0.05	4.04
	28,097,323	**0.12**	**3.24**

Warrants transactions for the nine months period ended December 31, 2023

During the nine months period ended December 31, 2023, no Warrants were issued.

Warrants transactions for the year ended March 31, 2023

(a) On June 8, 2022, the Company issued 569,328 Warrants in connection with the settlement of compensation to certain founders of the Company as disclosed in Note 10 (t). Each Warrant is exercisable at $0.12 into one Common Share until the earlier of (i) the fifth anniversary of the issuance of the Warrant, and (ii) two years following the date of a liquidity event by the Company.

The grant date fair value of the Warrants issued was estimated to be $15,375 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.18% and an expected life of five years.

(Expressed in Canadian Dollars - Unaudited)

12. Reserve for Warrants (continued)

(b) On July 11, 2022, the Company issued 4,700,000 Warrants in connection with the July 2022 Offering as disclosed in Note 10 (u). Each Warrant is exercisable at $0.12 into one Common Share for a period of five years from the closing of the July 2022 Offering. The grant date fair value of the Warrants issued was estimated to be $126,893 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.16% and an expected life of five years.

In connection with the July 2022 Offering, 752,000 Finders' Warrants were issued as compensation. Each Finders' Warrant is exercisable at $0.05 to purchase one Common Share for a period of five years from the closing of the July 2022 Offering. The grant date fair value of the Finders' Warrants issued was estimated to be $22,637 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.16% and an expected life of five years.

(c) On January 12, 2023, the Company issued 600,000 Warrants in connection with the January 2023 Offering as disclosed in Note 10 (v). Each Warrant is exercisable at $0.12 into one Common Share for a period of five years from the closing of the January 2023 Offering. The grant date fair value of the Warrants issued was estimated to be $13,706 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 3.02% and an expected life of five years.

In connection with the January 2023 Offering, 80,000 Finders' Warrants were issued as compensation. Each Finders' Warrant is exercisable at $0.05 to purchase one Common Share for a period of five years from closing of the January 2023 Offering. The grant date fair value of the Finders' Warrants issued was estimated to be $2,230 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 3.02% and an expected life of five years.

13. Related Party Transactions

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

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

	December 31, 2023	December 31, 2022
	$	$
Management salaries and consulting fees	**272,962**	198,816
Professional fees	**323,347**	211,235
Marketing and advertising	**-**	5,500
Share-based compensation	**49,201**	40,568
	645,510	456,119

Salaries and consulting fees

(a) Remuneration of key management personnel of the Company for the nine months ended December 31, 2023 included $272,962 (December 31, 2023 – $142,500 for the Chief Executive Officer ("CEO"). As of December 31, 2023, $Nil (March 31, 2023 – $147,251) owing to CEO was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

On September 12, 2022, the 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).

13. Related Party Transactions (continued)

(b) For the nine months ended December 31, 2023, renumeration of $nil (December 31, 2022 – $26,631) had been recorded for the services by a former director who resigned on June 15, 2022. As at December 31, 2023 and March 31, 2023, no balance was outstanding.

(c) For nine months ended December 31, 2023, Black Oak, an entity where an executive of the Company is the principal, provided consulting services to the Company resigned on November 1, 2021. The management salaries and consulting fees for the comparable period ending December 31, 2022, were $56,316. As at December 31, 2023, $119,530 (March 31, 2023 – $135,227) owing to Black Oak was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Professional fees

(d) For the nine months ended December 31, 2023, FMI Capital Advisory Inc. ("FMICAI"), an entity where the Executive Chairman and a director of the Company is also the Chairman, charged fees of $45,000 (December 31, 2022 – $25,000), for financial advisory and other services provided to the Company. As at December 31, 2023, $204,729 (December 31, 2022 – $93,311) 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.

(e) For the nine months ended December 31, 2023, Fogler, Rubinoff LLP ("Fogler"), an entity where the same director is a partner, charged fees of $157,222 (December 31, 2022 – $46,265), for legal services provided to the Company. As at December 31, 2023, $148,810 (December 31, 2022 – $47,243) 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, 2023, Branson Corporate Services Ltd. ("Branson"), an entity where the former Chief Financial Officer ("CFO") of the Company was employed, and the Executive Chairman of the Company held a 39% direct and indirect interest in, charged fees of $98,000 (December 31, 2022 – $52,500), for providing CFO services to the Company, as well as other accounting and administrative services. As at December 31, 2023, $8,475 (December 31, 2022 – $16,978) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

(g) On January 1, 2023, Xemoto and 2763168 Ontario Inc. ("2763168 Ontario"), an entity where a director of the Company is the principal, entered into a consulting agreement, for a monthly remuneration of $5,000 in consideration of the Executive Vice President of Finance services to be provided to the Company. During the nine months ended December 31, 2023, the Executive Vice President of Finance, charged fees of $23,125 (December 31, 2022 – $Nil). As at December 31, 2023, $4,125 (December 31, 2022 – $Nil) 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) For the nine months ended December 31, 2023, Right Path Advisory ("Right Path"), an entity where the former Senior Vice President of the Company was employed, charged fees of $nil (December 31, 2022 – $60,840). As at December 31, 2023, $nil (March 31, 2023 – $3,593) owing to Right Path was included in accounts payable and accrued liabilities. The amount outstanding was unsecured, non-interest bearing and due on demand.

Share based compensation

(i) For the nine months ended December 31, 2023, 5,000,000 options granted and 1,400,000 RSUs (December 31, 2022 – 900,000) respectively, were granted to directors, officers and consultants. Total fair value recorded (for related parties) for options and RSUs vested for the nine months ended December 31, 2023, were $49,202 (December 31, 2022 – $40,568).

(Expressed in Canadian Dollars - Unaudited)

13. Related Party Transactions (continued)

Other related party transactions

(j) For the nine months ended December 31, 2023, Unite Communications. ("Unite"), an entity where one of the directors of the Company is also a director, recorded sales revenue of $25,491 (December 31, 2022 – $4,600, for business operations related purchases for the Company. As at December 31, 2023, no balance (March 31, 2023 – $nil) due from Unite was included in accounts receivable.

(j) During the nine months ended December 31, 2023, the Company issued $155,000 of Notes to certain executives and directors, each bearing interest at a rate of 8% per year compounded annually and payable on demand as follows:

Issuance Date	Recipient's Relationship to the Company	Principal Amount
April 11, 2023	Director	20,000
April 11, 2023	Executive	20,000
April 24, 2023	Director	12,500
April 24, 2023	Executive	12,500
May 8, 2023	Executive	40,000
May 10, 2023	Director	40,000
May 24, 2023	Executive	5,000
May 25, 2023	Director	5,000
TOTAL		**155,000**

On June 8, 2023, $368,500 of the Notes and $4,741 of accrued interest (note 7) were converted into shares at $0.01 per share.

(k) For the nine months ended December 31, 2023, EXT Marketing Inc. ("EXT Marketing"), an entity where one of the directors of the Company is also a director, charged fees of $nil (December 31, 2022 – $5,500) for marketing services provided to the Company. As at December 31, 2023, no balance (March 31, 2023 – $nil) was owing to EXT Marketing.

(l) For the nine months ended December 31, 2022, FMI, an affiliated entity of FMICAI where the Executive Chairman and a director of the Company is also the Chairman, charged finders' fees of $37,600 and $4,000 in connection with the July 2022 Offering and January 2023 Offering respectively. No such fees were charged during the nine months ended December 31, 2023. As at December 31, 2023, $4,000 (March 31, 2023– $4,000) owing to FMI was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

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

(Expressed in Canadian Dollars - Unaudited)

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. While the Company does not yet have any commercial operations, management monitors its capital structure and makes adjustments 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 rather 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 period ended December 31, 2023 and 2022.

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

15. Financial Risks

The Company is exposed to various risks as they related 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 borrower default on maturity of the instruments. 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 to a digital marketing business model at a time 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, 2023, the Company had a cash balance of $107,297 (March 31, 2023 – $42,874) to settle current liabilities of $1,356,229 (March 31, 2023 – $1,331,480), and had the following contractual undiscounted obligations:

	Carrying amount	**Year 1**	**Year 2 to 3**	**Over 3 years**
Accounts payable and accrued liabilities	813,667	813,667	-	-
Notes payable	67,000	67,000	-	-
UPI loan	250,000	250,000	-	-
BDC loan	250,000	48,740	83,280	117,980
Convertible Debenture	87,907	-	87,907	-
Total	**1,468,574**	**1,179,407**	**171,187**	**117,980**

15. Financial Risks (continued)

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecasts 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.

Management believes that the Company needs to raise additional funds 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, 2023. Nevertheless, management understands that it will have to raise more funds in order to support its operations going forward.

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, 2023, the Company had no financial instruments which are 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 may have, from time to time, transactions denominated in foreign currencies. The Company's primary exposure to foreign exchange risk is that transactions denominated in foreign currency may expose the Company to the risk of exchange rate fluctuations. Based on its current operations, 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, 2023, the Company did not have any financial instruments which were carried at fair value (March 31, 2023 – $Nil).

16. Material agreements

Acquisition of Xemoto Media Ltd. By Universal PropTech Inc.

On September 18, 2023, the Company entered into the LOI with UPI with respect to the Proposed Transaction (Note 7(c)).

On October 31, 2023, the Company and UPI executed an amendment to the LOI whereby the parties agreed to enter into a Definitive Agreement on or before November 30, 2023. And on November 29, 2023, the Company and UPI executed a further amendment to the LOI whereby the parties agreed to enter into a Definitive Agreement on or before February 28, 2024.

On February 6, 2024, the Company, UPI, and 1000615911 Ontario Inc., a wholly-owned subsidiary of UPI, entered into an acquisition agreement detailing the terms and conditions of the change of business transaction between the Company and UPI (the "COB"). Pursuant to the COB, (i) holders of Common Shares will receive 0.225 of a UPI Share for each Common Share held; and (ii) all outstanding securities convertible into Common Shares shall be exchanged, based on the Exchange Ratio, for equivalent securities to purchase UPI Shares on substantially similar terms and conditions. The COB is expected to be completed on or about May 31, 2024, subject to the satisfaction or waiver of all applicable conditions. If the COB is completed, the Resulting Issuer will continue to carry on the business of the Company and will have its Common Shares listed on the CSE. There is no certainty that the COB will be completed by May 31, 2024 or at all.

17. Subsequent Events

Financings – Promissory Notes

(a) Subsequent to December 31, 2023, the Company issued $110,000 of Notes to certain directors (or corporations owned by directors), bearing interest at 8% per year compounded annually and payable on demand and $55,000 of Notes bearing interest at 12% per year compounded annually and payable on demand.

Other Issuances of Common Shares and Convertible Securities

(b) On January 12, 2024, the Company granted 4,000,000 options to five of the directors and officers. All vested immediately at an exercise price of $0.01125 per Common Share. In addition, 3,990,000 options were granted to the directors and officers. All vested 12 months from date of grant at an exercise price of $0.01125 per Common Share. Furthermore, on the same date, 2,000,000 options were granted to four employees and consultants, with one-third (1/3) vesting immediately, one-third (1/3) vesting in 12 months, and one-third (1/3) in 24 months; at an exercise price of $0.01125 per Common Shares.

(c) On January 12, 2024, the Company issued 4,000,000 Common Shares to certain directors and officers of the Company at a price of $0.01 per Common Share.

(d) 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) a $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.

    The principal amount of each debenture is convertible into Common Shares at a conversion price of $0.01 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 $0.015 per Common Share.

17. Subsequent Events

Directors, Officers and Key Management

(e) On January 9, 2024, Mr. Taif Ahmed resigned as Interim-Chief Financial Officer and Executive Vice President of Finance of the Company. On the same day, Mr. Kyle Appleby was appointed as Interim-Chief Financial Officer and Executive Vice President of Finance of the Company.

(f) On January 9, 2024, the Company and CFO Advantage Inc., an entity where Mr. Kyle Appleby is the principal, entered into a consulting agreement whereby Mr. Appleby, though CFO Advantage Inc. will provide the services of Chief Financial Officer of the Company for a monthly remuneration.

Others

(g) On January 16, 2024, the Company received a letter from Black Oak, an entity where the former President of the Company is the principal, demanding for repayment of outstanding consulting fees in the amount of $119,530.

(h) On January 23, 2024, the Company received a Statement of Claim from Black Oak, an entity where the former President of the Company is the principal, for repayment of $119,530 for breach of contract. This amount is recorded in the financial statements as at December 31, 2023 and for the year ended March 31, 2023 as accounts payable. Provision for any potential additional interest and legal costs is not recorded as provision considering the amount is not determinable at the time of preparing the financial statements.

Xemoto Media Ltd.

Financial Statements

For the Year Ended March 31, 2023

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Xemoto Media Ltd:

Opinion

We have audited the financial statements of Xemoto Media Ltd (the "Corporation"), which comprise the statements of financial position as at March 31, 2023 and 2022, and the statements of loss and comprehensive loss, the statements of changes in equity and the statements of cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2023 and 2022 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the financial statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which describes the events and conditions indicating that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

PKF Antares

Professional Corporation, Chartered Professional Accountants
Calgary, Alberta
February 6, 2024

Xemoto Media Ltd.
Statements of Financial Position
(Expressed in Canadian Dollars)

	As at March 31, 2023	As at March 31, 2022
	$	$
Assets		
Current Assets		
Cash	**42,874**	444,237
Accounts receivable (Note 4)	**10,303**	34,053
Total Current Assets	**53,177**	478,290
Computer equipment and software (Note 5)	**70,504**	90,954
Total Assets	**123,681**	569,244
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	**923,491**	530,344
Notes payable (Note 7)	**280,500**	-
Deferred revenue	**127,489**	-
Total Current Liabilities	**1,331,480**	530,344
BDC Loan (Note 8)	**125,000**	-
Total Liabilities	**1,456,480**	530,344
Shareholders' Equity		
Share capital (Note 9)	**1,680,272**	1,294,402
Reserve for share-based payments (Note 10)	**146,712**	72,918
Reserve for Warrants (Note 11)	**1,326,247**	1,164,091
Accumulated deficit	**(4,486,030)**	(2,492,511)
Total Equity	**(1,332,799)**	38,900
Total Liabilities and Shareholders' Equity	**123,681**	569,244

Nature of operations and going concern (Note 1)
Subsequent events (Note 16)

Approved on behalf of the Board of Directors:

"Adam Szweras" (signed)
Executive Chairman

"Brandon Mina" (signed)
Chief Executive Officer and Director

The accompanying notes are an integral part of these financial statements

Xemoto Media Ltd.
Statements of Loss and Comprehensive Loss
For the Years Ended March 31, 2023 and 2022
(Expressed in Canadian Dollars)

	2023	2022
	$	$
Revenue		
Sales	**306,663**	25,511
Cost of sales	**(178,821)**	(41,779)
Gross Profit (loss)	**127,842**	(16,268)
Expenses		
Salaries and consulting fees (Note 12)	**1,147,199**	1,091,777
Professional fees (Note 12)	**665,305**	195,438
Share-based compensation (Note 10, 11 and 12)	**73,794**	1,012,894
Research and development	**72,924**	28,415
Office and general	**59,853**	100,804
Marketing and advertising	**52,276**	25,896
Amortization on computer equipment and software (Note 5)	**24,908**	18,589
Travel, and meals & entertainment	**7,802**	963
	(2,104,061)	(2,474,776)
Loss before Other Expenses	**(1,976,219)**	(2,491,044)
Other Losses		
Interest and accretion (Note 7 and 8)	**(11,112)**	(16,775)
Fair value change in derivative liability	**-**	(23,971)
Write-off of assets (Note 5)	**-**	(5,000)
Foreign exchange loss	**(9,304)**	(2,242)
Gain on debt	**3,116**	-
Total Other Losses	**(17,300)**	(47,988)
Net Comprehensive Loss	**(1,993,519)**	(2,539,032)

The accompanying notes are an integral part of these financial statements

Xemoto Media Ltd.
Statements of Cash Flows
For the Years Ended March 31, 2023 and 2022
(Expressed in Canadian Dollars)

	2023	2022
	$	$
Operating Activities		
Net loss for the year	**(1,993,519)**	(2,539,032)
Share-based compensation (Note 10, 11 and 12)	**73,794**	1,012,894
Amortization on computer equipment and software (Note 5)	**24,908**	18,589
Finance costs (Note 7)	**9,351**	16,775
Fair value change in derivative liability	-	23,971
Write-off of assets (Note 5)	-	5,000
Loss on debt settlement	**(3,116)**	-
	(1,888,582)	(1,461,803)
Net change in non-cash working capital items:		
Accounts receivables	**23,750**	(34,053)
Deferred revenue	**127,489**	-
Accounts payable and accrued liabilities	**450,230**	523,962
Cash Flows used in Operating Activities	**(1,287,113)**	(971,894)
Financing Activities		
Proceeds from private placement financings (Note 9)	**530,000**	1,294,500
Share issue costs	**(45,291)**	(73,740)
BDC Loan (Note 8)	**125,000**	-
Notes payable from related parties (Note 7)	**217,500**	63,199
Notes payable from non-related parties (Note 7)	**63,000**	-
Repayment of advances to related party	-	(63,199)
Proceeds from exercise of Warrants (Note 9 and 11)	-	210,000
Cash Flows provided by Financing Activities	**890,209**	1,430,760
Investing Activities		
Computer equipment and software (Note 5)	**(4,459)**	(14,543)
Cash Flows (used in) Investing Activities	**(4,459)**	(14,543)
Increase (decrease) in cash	**(401,363)**	444,323
Cash, beginning of year / period	**444,237**	(86)
Cash, end of year	**42,874**	444,237

The accompanying notes are an integral part of these financial statements

Xemoto Media Ltd.
Statements of Changes in Shareholders' Equity
For the Years Ended March 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Number of shares	Share Capital	Share-based payments	Warrants Reserve	Accumulated deficit	Total
	#	$	$	$	$	$
Balance, March 31, 2021	**10,000,002**	**30**	-	-	**(12,878)**	**(12,848)**
Issuance of shares from private placements (Note 9(b), (d), (e) and (g))	25,890,000	978,400	-	316,100	-	1,294,500
Issuance of finders' warrants from private placements (Note 9(b), (d), (e) and (g))	-	-	-	38,583	-	38,583
Share issuance costs	-	(82,212)	-	(30,112)	-	(112,324)
Issuance of shares on debt settlement (Note 9(c))	127,590	6,380	-	-	-	6,380
Issuance of shares on conversion of promissory note (Note 9(f))	2,126,171	140,747	-	-	-	140,747
Stock-based compensation (Note 10)	-	-	72,918	939,976	-	1,012,894
Exercise of warrants (Note 9(h))	4,200,000	251,057	-	(41,057)	-	210,000
Expiry of warrants (Note 11)	-	-	-	(59,399)	59,399	-
Net loss for the year	-	-	-	-	(2,539,032)	(2,539,032)
Balance, March 31, 2022	**42,343,763**	**1,294,402**	**72,918**	**1,164,091**	**(2,492,511)**	**38,900**
Balance, March 31, 2022	**42,343,763**	**1,294,402**	**72,918**	**1,164,091**	**(2,492,511)**	**38,900**
Issuance of shares to vendors for services (Note 9(i))	190,000	6,384	-	-	-	6,384
Issuance of shares on debt settlement (Note 9(j))	1,138,656	41,558	-	15,375	-	56,933
Issuance of shares from private placements (Note 9(k) and (l))	10,600,000	389,403	-	140,597	-	530,000
Issuance of finders' warrants from private placements (Note 9(k) and (l))	-	-	-	24,867	-	24,867
Share issuance costs	-	(51,475)	-	(18,683)	-	(70,158)
Stock-based compensation (Note 10)	-	-	88,763	-	-	88,763
Cancellation of options (Note 10)	-	-	(14,969)	-	-	(14,969)
Net loss for the year	-	-	-	-	(1,993,519)	(1,993,519)
Balance, March 31, 2023	**54,272,419**	**1,680,272**	**146,712**	**1,326,247**	**(4,486,030)**	**(1,332,799)**

1. Nature of Operations and Going Concern

Xemoto Media Ltd. ("Xemoto" or the "Company" formerly known as Untappedlabs Inc.) was incorporated under the *Business Corporations Act* (Ontario) on July 6, 2020, under the name "Untappedlabs Inc.". Effective May 14, 2021, the Company filed Articles of Amendment, and changed its name to Xemoto Media Ltd.

Xemoto is an influencer marketing software-as-a-service company focused on connecting businesses operating in highly regulated industries with their consumers. Using its core proprietary platform, Spectrum, and other technology focused means, Xemoto disseminates clients' marketing and advertising messaging, news releases, corporate presentations and other content that may appeal to businesses, individual consumers, and retail investors. Such messaging may be used by small and mid-sized influencers (often referred to as "micro-influencers") and financial influencers (often referred to as "finfluencers"), to develop content subsequently disseminated to their followers through a wide range of social media channels including, but not limited to, Facebook, Twitter, Instagram, and Tiktok. The Company's Spectrum platform facilitates overall client and influencer campaign management with a focus on investor, business-to-business ("B2B") and business-to-consumer ("B2C") communications. This is achieved via dynamic interaction between customers, influencers and their followers, including the coordination of messaging and content over a wide range of influencers, tracking of campaign progression, data collection and performance analytics of campaigns for clients, and facilitation of payment.

The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

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 year ended March 31, 2023 and subsequently, it also incurred a net and comprehensive loss of $1,993,519 (March 31, 2022 – $2,539,032), and, as of that date, the Company's accumulated deficit was $4,486,030 (March 31, 2022 – $2,492,511). It is not possible to predict whether financing efforts will continue to be successful in the future or if the Company will attain profitable levels of operations. These conditions, including the unpredictability of the software-as-a-service business, represent material uncertainties which may cast significant doubt on the Company's ability to continue as a going concern.

These financial statements do not include adjustments to the carrying values of the assets and liabilities, the reported sales and expenses, and the balance sheet classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These financial statements were reviewed, approved and authorized for issuance by the Board of Directors (the "Board") of the Company on February 6, 2024.

(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.

2. Basis of Presentation (continued)

(c) 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.

(d) 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. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows and the Company's cash position at year-end.

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 licensing its patented software. Revenue is recognized when persuasive evidence of an arrangement exists, the fee is fixed or determinable, and collectability is reasonably assured. Licensing 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 services income is recognized over time when the services have been provided and control of the deliverable has been transferred to the customer. 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.

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.

2. Basis of Presentation (continued)

Significant Accounting Judgments and Estimates (continued)

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.

3. Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, term deposits, and similar type of instruments with an original maturity of three months or less at the time or purchase.

(b) Revenue from Contracts with Customers

The Company’s policy for the timing and amount of revenue to be recognized is based on the following 5 step process:

- Identify the contract with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price, which is the total consideration provided by the customer.
- Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- Recognize revenue when the relevant criteria are met for each unit (at a point in time or over time).

3. Summary of Significant Accounting Policies (continued)

(b) Revenue from Contracts with Customers (continued)

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised services to a customer.

The Company's contracts with customers for the distribution of marketing contents consist of one performance obligation, when the Company assigns clients to a Finfluencer who handles the distribution program. The Company has concluded that revenue from the provision of services should be recognized at the point in time when services had been delivered and provided to the customers.

Deferred revenue

Deferred revenue comprises the value of sales of services which had been charged to a customer when an order is placed, but which will be delivered in the future.

The revenue from the sale of services is deferred until such services have been provided to the customer. Deposits received on services not yet provided to the customers are presented in the consolidated statements of financial position as deferred revenue.

(c) Financial Instruments

The Company classifies and measures financial instruments in accordance with IFRS 9 – Financial Instruments ("IFRS 9"). A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes financial assets and financial liabilities on the statements of financial position when it becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial assets in the following measurement categories: (a) FVTPL; (b) fair value through other comprehensive income ("FVTOCI"); and (c) amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains or losses are recorded in profit or loss. The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Fair value through profit or loss

This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category would also include debt instruments whose cash flow characteristics fail the solely principal and interest ("SPPI") criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in the statements of loss and comprehensive loss.

Financial assets at fair value through other comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in FVTOCI instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at FVTOCI are initially measured at fair value and changes therein are recognized in other comprehensive income (loss). As at March 31, 2023 and 2022, the Company did not have any financial assets at FVTOCI.

3. Summary of Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. Financial assets classified in this category are measured at amortized cost using the effective interest method.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (loss) (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income (loss).

Measurement (continued)

The Company's classification of financial assets and financial liabilities is summarized below:

Cash and cash equivalents	Amortized cost
Accounts receivable (excluding sales tax recoverable)	Amortized cost
BDC Loan	Amortized cost
Notes Payables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Expected credit loss impairment model

Under IFRS 9 – Financial Instruments, the Company recognizes a provision for ECL on financial assets that are measured on amortized cost. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

Derecognition

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

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

3. Summary of Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

Derecognition (continued)

Gains or losses on derecognition are generally recognized in profit or loss.

Determination of fair value

The determination of fair value requires judgment and is based on market information, where available and appropriate. 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).

(d) Computer equipment and software

Property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes the acquisition costs or construction costs, as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and amortized separately.

Depreciation is computed using the straight-line method based on the estimated useful life of the assets and commences when title and ownership have transferred to the Company and is readily available for its intended use. The residual value, useful life and depreciation methods are reviewed at the end of each reporting period. Such a review takes into consideration the nature of the asset, the intended use and impact of technological changes. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of capital assets. Subsequent costs are included in the asset carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is recorded on a straight-line basis as follows:

- Computer equipment: Straight-line basis over three years
- Software: Straight-line basis over five years

(e) Impairment of Long-Lived Assets

Long-lived assets, including property and equipment, are reviewed for impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less cost of disposal, and its value in use. 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 if no impairment loss had been recognized previously.

3. Summary of Significant Accounting Policies (continued)

(f) Compound Instruments

The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual terms of the compound instrument. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar convertible instrument. This amount is recorded as a liability, at amortized cost, using the effective interest rate method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component of the total fair value of the compound instrument. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured.

Transaction costs related to the issuance of the convertible debts are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortized over the life of the convertible debentures using the effective interest method. Interest and accretion expense are recognized as a finance cost in the statements of loss and comprehensive loss.

The conversion feature which does not meet equity classification, as it contains contractual terms that result in the potential adjustment in the conversion or exercise price, is accounted for as embedded derivative liabilities as its fair value is affected by changes in the fair value of the Common Shares. The effect is that the convertible debts are accounted for at amortized cost, with the embedded derivative liabilities being measured at fair value with changes in value being recorded in profit or loss.

(g) Provisions

A provision is recognized when: (i) the Company has a present legal or constructive obligation as a result of a past event, (ii) it is probable that an outflow of economic benefits will be required to settle the obligation, and (iii) the amount of the obligation can be reliably estimated. Where their effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(h) Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss).

Current income tax is recognized and measured at the amount expected to be recovered from, or payable to, the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period, including any adjustment to taxes payable in respect of previous years.

Deferred tax is recorded for temporary differences at the date of the statements of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at the end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, and based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

3. Summary of Significant Accounting Policies (continued)

(h) Income Taxes (continued)

Deferred tax assets and deferred tax liabilities are offset if, and only if, they relate to income taxes levied by the same taxation authority and the Company has the legal rights and intent to offset.

Estimates

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters differs from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determinations were made.

(i) Share Capital

In situations where the Company issues units, the value of units is bifurcated and the value of warrants is included as a separate reserve for warrants. The proceeds from the issuance of units are allocated between common shares and warrants on a pro-rated basis using the relative fair value method. The fair value of the common shares is determined using the share price at the date of issuance of the units. The fair value of the warrants is determined using Black-Scholes. Expired warrants are transferred to retained earnings (deficit).

(j) Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

(k) Share-Based Payments Transactions

The Company operates an employee stock option plan (the "Option Plan"). Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of options is determined using Black–Scholes. The fair value of equity-settled share-based compensation transactions are recognized as an expense with a corresponding increase in the reserve for share-based payments. Expired options are transferred to retained earnings (deficit).

(l) Restricted Share Units

Restricted share units of the Company ("RSUs") are measured at the fair value of the date of grant, based on the closing price of the Common Shares on the date of grant. The fair value of share-based compensation on RSUs is recognized as an expense with a corresponding increase in the reserve for share-based payments over the vesting period.

(m) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. Summary of Significant Accounting Policies (continued)

(n) Research and Development Costs

Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized as internally generated intangible assets if the Company can demonstrate each of the following criteria:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Intention to complete the intangible asset and use or sell it;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

(o) Adoption of New Accounting Standards

The Company adopted the following amendments, effective April 1, 2022. These changes were made in accordance with the applicable transitional provisions:

- *IAS 1 – Presentation of Financial Statements ("IAS 1")*; and
- *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")*

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The Company's assessment determined that adopting these amendments did not materially impact the financial statements.

(p) Recent Accounting Pronouncements

As at the date of authorization of these financial statements, the IASB and the IFRS Interpretations Committee had issued certain pronouncements that are mandatory for the Company’s accounting periods commencing on or after April 1, 2023. Many are not applicable or do not significantly impact the Company (have been excluded). The Company is currently assessing the impact in adopting the following amendments on its financial statements:

Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management’s expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements and so are not expected to have a significant impact on an entity’s financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity’s loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. Early application is permitted.

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

(q) Recent Accounting Pronouncements (continued)

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amended IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

4. Accounts Receivable

	March 31, 2023	March 31, 2022
	$	$
Sales tax refund receivable	**10,303**	24,294
Trade receivables	**-**	9,759
	10,303	34,053

The Company's sales tax receivable balance represents amounts due from government taxation authorities in respect of the Harmonized Sales Tax. 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 March 31, 2023 and 2022:

	Computer equipment	**Software**	**Total**
	$	**$**	**$**
Cost at:			
Balance, March 31, 2021	-	-	**-**
Addition for the year	14,543	100,000	**114,543**
Write-down	-	(5,000)	**(5,000)**
Balance, March 31, 2022	**14,543**	**95,000**	**109,543**
Addition for the year	4,458	-	**4,458**
Write-down	-	-	**-**
Balance, March 31, 2023	**19,001**	**95,000**	**114,001**
Accumulated depreciation/amortization at:			
Balance, March 31, 2021	-	-	**-**
Depreciation	1,964	16,625	**18,589**
Balance, March 31, 2022	**1,964**	**16,625**	**18,589**
Depreciation	5,908	19,000	**24,908**
Balance, March 31, 2023	**7,872**	**35,625**	**43,497**
Net book value:			
March 31, 2022	**12,579**	**78,375**	**90,954**
March 31, 2023	**11,128**	**59,375**	**70,504**

(Expressed in Canadian Dollars)

5. Computer equipment and software (continued)

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

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases incurred in the normal course of business. The Company's accounts payable and accrued liabilities consisted of the following as at March 31, 2023 and 2022:

	March 31, 2023	March 31, 2022
	$	$
Trade payables	**395,103**	390,208
Accrued liabilities	**528,388**	140,137
	923,491	530,344

7. Notes Payable

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% per year compounded annually and payable on demand as follows:

Issuance Date	**Recipient's Relationship to the Company**	**Principal Amount**
		$
September 12, 2022	Executive	40,000
September 23, 2022	Director	35,000
September 26, 2022	Director	35,000
October 4, 2022	Director	5,000
October 7, 2022	Director	5,000
October 7, 2022	N/A	7,500
October 11, 2022	Director	6,000
October 11, 2022	N/A	24,000
October 24, 2022	Director	17,000
October 26, 2022	Director	23,000
November 7, 2022	Director	10,000
November 9, 2022	Director	10,000
January 23, 2023	N/A	31,500
January 24, 2023	Director	31,500
Total Notes Payable Balance		**280,500**

As at March 31, 2023, the Notes payable balance was $280,500 (March 31, 2022 – $nil). Accrued interest on the Notes in the amount of $9,351 (March 31, 2022 – $nil) was included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

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 bounded 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 the execution of the BDC Loan. The remaining $125,000 of the BDC Loan was distributed on July 28, 2023.

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

The maturity date of the BDC Loan will be January 1, 2030.

As of March 31, 2023, payment of interest on the BDC Loan in the amount of $1,760 (March 31, 2022 – $nil) was paid.

9. 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 March 31, 2023 and 2022 are as follows:

	Number of Common Shares	Amount
	#	$
Balance, March 31, 2021	**10,000,002**	**30**
Shares issued on private placements (b), (d), (e) and (g)	25,890,000	978,400
Share issuance costs	-	(82,212)
Shares issued on debt settlement (c)	127,590	6,380
Shares issued on conversion of Notes (f)	2,126,171	140,747
Shares issued on exercise of Warrants (h)	4,200,000	251,057
Balance, March 31, 2022	**42,343,763**	**1,294,402**
Shares issued on private placements (k), and (l)	10,600,000	389,403
Share issuance costs	-	(51,475)
Shares issued on debt settlement (j)	1,138,656	41,558
Shares issued for vendors services (i)	190,000	6,384
Balance, March 31, 2023	**54,272,419**	**1,680,272**

Share capital transactions for the year ended March 31, 2022

(a) On May 14, 2021, the Company filed articles of amendment to split the Common Shares on the basis of 1,666.667 post-split Common Shares for each pre-split Common Share. On February 8, 2022, the Company filed articles of amendment to split the Common Shares on the basis of 2 post-split Common Shares for each pre-split Common Share.

9. Share Capital (Continued)

Share capital transactions for the year ended March 31, 2022 (continued)

(b) On June 30, 2021, the Company closed a private placement financing (the "June 2021 Offering") of 6,000,000 units (each a "June Unit") at a price of $0.05 per June Unit, for gross proceeds of $300,000. Each June Unit was comprised of one Common Share and one common share purchase warrant (a "Warrant") exercisable at $0.05 for a period of five months from closing of the June 2021 Offering. No cash commissions were paid in connection with the June 2021 Offering.

(c) On July 21, 2021, the Company issued 127,590 Common Shares to settle an amount of $USD $5,000 ($6,380) to a consultant for services performed. The Common Shares were measured at the fair value of goods or services received.

(d) On September 9, 2021, the Company closed a private placement financing (the "September 2021 Offering") of 3,800,000 units (each a "September Unit") at a price of $0.05 per September Unit, for gross proceeds of $190,000. Each September Unit was comprised of one Common Share and one Warrant exercisable at $0.05 on or before March 31, 2022. No cash commissions were paid in connection to the September 2021 Offering.

(e) On February 18, 2022, the Company closed a private placement financing (the "February 2022 Offering") of 14,240,000 units (each a "February Unit") at a price of $0.05 per unit, for gross proceeds of $712,000. Each February Unit was comprised of one Common Share and one-half of a Warrant exercisable at $0.12 for a period of five years from closing of the February 2022 Offering. In connection with the February 2022 Offering, the Company paid finders' fees of $56,960 and issued 1,139,200 finders' Warrants (the "Finders' Warrants"), each exercisable into one Common Share at a price of $0.05 for a period of five years from closing of the February 2022 Offering.

(f) On completion of the February 2022 Offering, which closed on February 18, 2022, an amount of $140,747, comprised of the principal and accrued interest on the convertible Note of $94,069, and the fair value of the conversion feature of $46,678, were converted into 2,126,171 Common Shares at the conversion price of $0.05 per Common Share.

(g) On March 18, 2022, the Company closed a private placement financing (the "March 2022 Offering") of 1,850,000 units (each a "March Unit") at a price of $0.05 per March Unit, for gross proceeds of $92,500. Each March Unit was comprised of one Common Share and one-half of a Warrant, each whole Warrant exercisable at $0.12 for a period of five years from closing of the March 2022 Offering. In connection with the March 2022 Offering, the Company paid finders' fees of $16,781 and issued 148,000 Finders' Warrants, each exercisable into one Common Share at a price of $0.05 for a period of five years from closing of the March 2022 Offering.

(h) During the year ended March 31, 2022, 4,200,000 Common Shares were issued as a result of the exercise of Warrants for cash proceeds of $210,000.

Share capital transactions for the year ended March 31, 2023

(i) On June 8, 2022, the Company issued 190,000 Common Shares to settle an amount of $9,500 to a consultant for services performed. The Common Shares were measured at the implied share price of $0.0366 per Common Share based on the March 18, 2022 financing for a total value of $6,384 with a gain of $3,116 on debt settlement.

9. Share Capital (Continued)

Share capital transactions for the year ended March 31, 2023 (continued)

(j) On June 8, 2022, the Company issued 1,138,656 units (each a "June 2022 Unit") at a deemed issue price of $0.05 per June 2022 Unit to certain founders of the Company in the amount of $56,933 for settlement of compensation due. Each unit was comprised of one Common Share and one-half of a Warrant, each whole Warrant entitling the holder thereof to acquire one additional Common Share with an exercise price of $0.12 until the earlier of (i) the fifth anniversary of the issuance of the Warrant, and (ii) two years following the completion by the Company of: (a) a distribution to the public of Common Shares in Canada or the United States pursuant to a prospectus or registration statement, as applicable, and the concurrent listing of such Common Shares for trading on a recognized exchange in Canada or the United States; or (b) another transaction as a result of which all outstanding Common Shares, or the securities of another issuer issued in exchange for all such outstanding Common Shares, are traded on a recognized exchange in Canada or the United States and are freely tradable (subject to resale restrictions on any concurrent financing and control block restrictions), including by way of a reverse takeover transaction.

(k) On July 11, 2022, the Company closed a private placement financing (the "July 2022 Offering") of 9,400,000 units (each a "July 2022 Unit"), at a price of $0.05 per July 2022 Unit for gross proceeds of $470,000. Each July 2022 Unit was comprised of one Common Share and one-half of a Warrant, each whole Warrant exercisable at $0.12 for a period of five years from the closing of the July 2022 Offering. In connection with the July 2022 Offering, the Company paid finders' fees of $37,600 and issued 752,000 Finders' Warrants, each exercisable into one Common Share at a price of $0.05 for a period of five years from closing of the July 2022 Offering.

(l) On January 12, 2023, the Company closed a private placement financing (the "January 2023 Offering") of 1,200,000 units (each a "January 2023 Unit") at a price of $0.05 per January 2023 Unit, for gross proceeds of $60,000. Each January 2023 Unit was comprised of one Common Share and one-half of a Warrant, each whole Warrant exercisable at $0.12 for a period of five years from closing of the January 2023 Offering. In connection with the January 2023 Offering, the Company paid finders' fees of $4,000 and issued 80,000 Finders' Warrants, each exercisable into one Common Share at a price of $0.05 for a period of five years from closing of the January 2023 Offering.

10. Reserve for Share-Based Payments

Stock options

The Company maintains the Option Plan, whereby officers, directors and consultants may be granted options to purchase Common Shares. The maximum number of Common Shares that are issuable under the Option Plan is limited to 20% of the number of issued and outstanding Common Shares. Under the Option Plan, the exercise price of each option may not be less than the closing price of the Common Shares on the trading day prior to the grant date or the grant date itself, whichever is higher. Vesting of options is determined at the discretion of the Board. As at March 31, 2023, the Company had 6,354,484 Common Shares available for issuance under the Option Plan.

(Expressed in Canadian Dollars)

10. Reserve for Share-Based Payments (continued)

The following summarizes the stock option activity for the year ended March 31, 2023 and 2022:

	March 31, 2023		March 31, 2022	
	Number of options	**Weighted average exercise price**	Number of options [(1)]	Weighted average exercise price[(1)]
	#	**$**	#	$
Outstanding, beginning of year	**4,500,000**	**0.05**	-	-
Granted [(a)]	**-**	**-**	200,000	0.05
Granted [(b)]	**-**	**-**	900,000	0.05
Granted [(c)]	**-**	**-**	3,400,000	0.05
Granted [(d)]	**400,000**	**0.05**	-	-
Granted [(f)]	**400,000**	**0.05**	-	-
Cancelled [(e), (g) and (h)]	**(800,000)**	**0.05**	-	-
Outstanding, end of year	**4,500,000**	**0.05**	4,500,000	0.05
Exercisable, end of year	**2,358,333**	**0.05**	1,200,000	0.05

(1) Adjusted for 1:2 stock split effective February 8, 2022

Options transactions for the year ended March 31, 2022

(a) On August 17, 2021, the Company granted 200,000 options to an employee at a deemed issue price of $0.05, expiring on August 17, 2026. The options vest in thirds: one-third (1/3) on each of December 31, 2021, July 1, 2022 and December 31, 2022. The options were valued using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 0.81% and an expected life of five years. The grant date fair value attributable to these options was $6,620, of which $1,850 was recorded as share-based compensation in connection with the vesting of these options during the year ended March 31, 2023 (March 31, 2022 – $4,770).

(b) On November 1, 2021, the Company granted 900,000 options to an officer at a deemed issue price of $0.05, expiring on November 1, 2026. The options vest in quarters: one-quarter (1/4) on each anniversary of grant starting on November 1, 2022. The options were valued using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 1.50% and an expected life of five years. The grant date fair value attributable to these options was $28,896, of which $12,081 was recorded as share-based compensation in connection with the vesting of these options during the year ended March 31, 2023 (March 31, 2022 – $6,183).

(c) On November 30, 2021, the Company granted 3,400,000 options to various officers, directors, employees and consultants at a deemed issue price of $0.05, expiring on November 30, 2026. The options vest in thirds (1/3) starting immediately on grant, and then on each following anniversary of grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 1.40% and an expected life of five years. The grant date fair value attributable to these options was $109,105, of which $42,496 was recorded as share-based compensation in connection with the vesting of these options during the year ended March 31, 2023 (March 31, 2022 – $54,453).

(Expressed in Canadian Dollars)

10. Reserve for Share-Based Payments (continued)

Options transactions for the year ended March 31, 2023

(d) On May 30, 2022, the Company granted 400,000 options to a number of its employees, with an exercise price of $0.05 per Common Share. The options expire on May 30, 2027. The options vest in thirds: one-third (1/3) on December 31, 2022, one-third (1/3) on July 1, 2023, and one-third (1/3) on December 31, 2023. The options were valued using Black-Scholes with the following assumptions: expected volatility of 125% 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 $11,077, of which $8,470 was recorded as share-based compensation in connection with the vesting of these options during the year ended March 31, 2023.

(e) On September 13, 2022, 400,000 options granted to a consultant of the Company on February 2, 2022, with an exercise price of $0.05 per Common Share were cancelled. The options were cancelled in accordance with the Option Plan following the holder ceasing to be a consultant of the Company.

(f) On September 16, 2022, the Company granted 400,000 options to an executive of the Company, with an exercise price of $0.05 per Common Share. The options expire on September 30, 2027. The options vest in thirds: one-third (1/3) immediately on grant, one-third (1/3) on July 1, 2023, and one-third (1/3) on December 31, 2023. The options were valued using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.41% and an expected life of five years. The grant date fair value attributable to these options was $12,054, of which $8,425 was recorded as share-based compensation in connection with the vesting of these options during the year ended March 31, 2023.

(g) On October 19, 2022, 200,000 options granted on February 8, 2022 to a former employee of the Company with an exercise price of $0.05 per Common Share were cancelled. The options were cancelled in accordance with the Option Plan following the holder ceasing to be an employee of the Company.

(h) On January 19, 2023, 200,000 options granted on February 8, 2022 to a former employee of the Company with an exercise price of $0.05 per Common Share were cancelled. The options were cancelled in accordance with the Option Plan following the holder ceasing to be an employee of the Company.

The following table summarizes the options outstanding and exercisable as at March 31, 2023:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining contractual life
	#	#	$	Years
November 1, 2026	900,000	225,000	0.05	3.59
November 30, 2026	2,800,000	1,866,667	0.05	3.67
May 30, 2027	400,000	133,333	0.05	4.17
September 16, 2027	400,000	133,333	0.05	4.47
	4,500,000	**2,358,333**	**0.05**	**3.77**

Restricted share units

On November 1, 2021, the Company granted 900,000 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.

(Expressed in Canadian Dollars)

11. Reserve for Warrants

The following summarizes the Warrant activity for the year ended March 31, 2023 and 2022:

	March 31, 2023		March 31, 2022	
	Number of Warrants	**Weighted average exercise price**	Number of Warrants[1]	Weighted Average exercise price[1]
	#	**$**	#	$
Outstanding, beginning of year	**21,395,995**	**0.12**	-	-
Issued from private placements [(a),(b)]			9,800,000	0.05
Issued from private placements [(d),(e)]			8,045,000	0.12
Issued from private placements [(c)]			12,063,795	0.12
Exercised			(4,200,000)	0.05
Expired			(5,600,000)	0.05
Finders' Warrants issued from private placements			1,287,200	0.05
Issued from debt settlement [(f)]	**569,328**	**0.12**	**-**	**-**
Issued from private placements [(g), (h)]	**5,300,000**	**0.12**	**-**	**-**
Issued from private placements [(g), (h)]	**832,000**	**0.05**	**-**	**-**
Outstanding, end of year	**28,097,323**	**0.12**	21,395,995	0.12

[1] Adjusted for 1:2 stock split effective February 8, 2022

Warrants transactions for the year ended March 31, 2022

(a) On June 30, 2021, the Company issued 6,000,000 Warrants in connection with the June 2021 Offering, as disclosed in Note 9(b). Each Warrant is exercisable at $0.05 to purchase one Common Share for five months from closing of the June 2021 Offering. The grant date fair value of the Warrants issued was estimated to be $58,653 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 0.15% and an expected life of 0.42 years. Of these Warrants, 1,800,000 expired unexercised on November 30, 2021.

(b) On September 9, 2021, the Company issued 3,800,000 Warrants in connection with the September 2021 Offering, as disclosed in Note 9(d). Each Warrant is exercisable at $0.05 to purchase one Common Share on or before March 31, 2022. The grant date fair value of the Warrants issued was estimated to be $41,803 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 0.17% and an expected life of 0.56 years. These Warrants expired unexercised on March 31, 2022.

(c) On February 17, 2022, the Company offered 12,063,795 rights to various officers, directors and consultants. All rights were exercised at $0.0001, which gave each holder the right to one Warrant exercisable at $0.12, for a period of five years from grant. The grant date fair value of the rights issued was estimated to be $939,976 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 1.75% and an expected life of five years. The grant date fair value attributable to these rights of $939,976 was recorded as share-based compensation during the year ended March 31, 2022.

11. Reserve for Warrants (continued)

Warrants transactions for the year ended March 31, 2022 (continued)

(d) On February 18, 2022, the Company issued 7,120,000 Warrants in connection with the February 2022 Offering as disclosed in Note 9(e). Each Warrant is exercisable at $0.12 into one Common Share for a period of five years from closing of the February 2022 Offering. The grant date fair value of the Warrants issued was estimated to be $190,814 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 1.72% and an expected life of five years.

In connection with the February 2022 Offering 1,139,200 Finders' Warrants were issued as compensation. The Finders' Warrants are exercisable at $0.05 to purchase one Common Share for a period of five years from closing. The grant date fair value of the Finders' Warrants issued was estimated to be $34,140 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 1.72% and an expected life of five years.

(e) On March 18, 2022, the Company issued 925,000 Warrants in connection with the March 2022 Offering as disclosed in Note 9(g). Each Warrant is exercisable at $0.12 into one Common Share for a period of five years from closing. The grant date fair value of the Warrants issued was estimated to be $24,845 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.02% and an expected life of five years.

In connection with the March 2022 Offering 148,000 Finders' Warrants were issued as compensation. The Finders' Warrants are exercisable at $0.05 to purchase one Common Share for a period of five years from closing of the March 2022 Offering. The grant date fair value of the Finders' Warrants issued was estimated to be $4,442 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.02% and an expected life of five years.

Warrants transactions for the year ended March 31, 2023

(f) On June 8, 2022, the Company issued 569,328 Warrants in connection with the settlement of compensation to certain founders of the Company as disclosed in Note 9 (j). Each Warrant is exercisable at $0.12 into one Common Share until the earlier of (i) the fifth anniversary of the issuance of the Warrant, and (ii) two years following the date of a liquidity event by the Company.

The grant date fair value of the Warrants issued was estimated to be $15,375 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.18% and an expected life of five years.

(g) On July 11, 2022, the Company issued 4,700,000 Warrants in connection with the July 2022 Offering as disclosed in Note 9 (k). Each Warrant is exercisable at $0.12 into one Common Share for a period of five years from the closing of the July 2022 Offering. The grant date fair value of the Warrants issued was estimated to be $126,893 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.16% and an expected life of five years.

In connection with the July 2022 Offering, 752,000 Finders' Warrants were issued as compensation. The Finders' Warrants are exercisable at $0.05 to purchase one Common Share for a period of five years from the closing of the July 2022 Offering. The grant date fair value of the Finders' Warrants issued was estimated to be $22,637 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.16% and an expected life of five years.

(Expressed in Canadian Dollars)

11. Reserve for Warrants (continued)

Warrants transactions for the year ended March 31, 2022 (continued)

(h) On January 12, 2023, the Company issued 600,000 Warrants in connection with the January 2023 Offering as disclosed in Note 9 (l). Each Warrant is exercisable at $0.12 into one Common Share for a period of five years from the closing of the January 2023 Offering. The grant date fair value of the Warrants issued was estimated to be $13,706 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 3.02% and an expected life of five years.

In connection with the January 2023 Offering, 80,000 Finders' Warrants were issued as compensation. The Finders' Warrants are exercisable at $0.05 to purchase one Common Share for a period of five years from closing of the January 2023 Offering. The grant date fair value of the Finders' Warrants issued was estimated to be $2,230 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 3.02% and an expected life of five years.

The following table summarizes information relating to the Warrants outstanding as at March 31, 2023:

Date of expiry	**Number of Warrants outstanding**	**Exercise price**	**Weighted average remaining contractual life**
	#	**$**	**Years**
February 17, 2027	12,063,795	0.12	3.89
February 18, 2027	7,120,000	0.12	3.89
February 18, 2027	1,139,200	0.05	3.89
March 18, 2027	925,000	0.12	3.97
March 18, 2027	148,000	0.05	3.97
June 8, 2027	568,328	0.12	4.19
July 11, 2027	4,700,000	0.12	4.28
July 11, 2027	752,000	0.05	4.28
January 12, 2028	600,000	0.12	4.79
January 12, 2028	80,000	0.05	4.79
	28,097,323	**0.12**	**4.00**

12. Related Party Transactions

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

The remuneration of directors and other members of key management personnel during the year ended March 31, 2023 and 2022 is as follows:

	March 31, 2023	March 31, 2022
	$	$
Salaries and consulting fees	**323,000**	266,312
Professional fees	**437,440**	227,574
Share-based compensation	**61,754**	64,944
	822,194	558,830

12. Related Party Transactions (continued)

Salaries and consulting fees

(a) Remuneration of key management personnel of the Company for the year ended March 31, 2023 included salary of $190,000 and management bonus of $133,000 (March 31, 2022 – $79,167) for the Chief Executive Officer ("CEO"). As of March 31, 2023, $147,251 (March 31, 2022 – $nil) owing to CEO was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

On September 12, 2022, the CEO of the Company advanced the Company $40,000 and the Company issued a promissory notes bearing interest at 8% per year compounded annually and payable on demand (see Note 7).

(b) For the year ended March 31, 2023, renumeration of $26,631 (March 31, 2022 – $114,905) had been recorded for the services by a former director who resigned on June 15, 2022. As at March 31, 2023, no balance (March 31, 2022 – $10,413) was outstanding.

(c) For the year ended March 31, 2023, Black Oak Ventures Ltd. ("Black Oak"), an entity where an executive of the Company is the principal, provided consulting services to the Company resigned on November 1, 2021. The management salaries and consulting fees for the comparable period ending March 31, 2022 were $72,240. As at March 31, 2023, $135,227 (March 31, 2022 – $74,580) owing to Black Oak was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Professional fees

(d) For the year ended March 31, 2023, FMI Capital Advisory Inc. ("FMICAI"), an entity where the Executive Chairman of the Company is also the Chairman, charged fees of $179,711 (March 31, 2022 – $121,000), for financial advisory and other services provided to the Company. As at March 31, 2023, $314,022 (March 31, 2022 – $62,408) owing to FMICAI was included in accounts payable and accrued liabilities. The FMICAI fees include 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.

For the year ended March 31, 2023, a certain director of the Company advanced the Company $68,000 and the Company issued a promissory notes bearing interest at 8% per year compounded annually and payable on demand (see Note 7).

(e) For the year ended March 31, 2023, Fogler, Rubinoff LLP ("Fogler"), an entity where the executive Chairman of the Company is a partner, charged fees of $56,978 (March 31, 2022 – $49,824), for legal services provided to the Company. As at March 31, 2023, $61,127 (March 31, 2022 – $39,397) 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 year ended March 31, 2023, Branson Corporate Services Ltd. ("Branson"), an entity where the Chief Financial Officer ("CFO") of the Company is employed, and the Executive Chairman of the Company held a 39% direct and indirect interest in, charged fees of $75,000 (March 31, 2022 – $56,750), for providing services to the Company, as well as other accounting and administrative services. As at March 31, 2023, $17,374 (March 31, 2022 – $14,125) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

(g) For the year ended March 31, 2023, Right Path Advisory ("Right Path"), an entity where the Senior Vice President of the Company was employed, charged fees of $73,620 (March 31, 2022 – $nil). As at March 31, 2023, $3,593 (March 31, 2022 – $nil) owing to Right Path was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

12. Related Party Transactions (continued)

(h) On January 1, 2023, Xemoto and 2763168 Ontario Inc. ("2763168 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 year ended March 31, 2023, 2763168 Ontario charged fees of $20,000 (March 31, 2022 – $nil). As at March 31, 2023, $10,325 (March 31, 2022 – $nil) owing to 2763168 Ontario 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 year ended March 31, 2023, the share-based compensation of 900,000 options and 900,000 RSUs that were granted to the former CEO on November 1, 2021, was $12,078 (March 31, 2022 – $6,183) and $14,671 (March 31, 2022 – $7,511) respectively.

(j) For the year ended March 31, 2023, the share-based compensation of 2,800,000 options granted to various officers and directors of the Company was $34,998 (March 31, 2022 – $51,250).

(k) For the year ended March 31, 2023, the share-based compensation of 400,000 options granted to an executive of the Company was $4,323 (March 31, 2022 – $nil).

Other related party transactions

(l) For the year ended March 31, 2023, EXT Digital Inc. ("EXT Digital"), an entity where one of the directors of the Company is also a director, incurred fees of $nil (March 31, 2022 – $26,949), for business operations related purchases for the Company. As at March 31, 2023, no balance (March 31, 2022 – $22,039) owing to EXT Digital was included in accounts payable and accrued liabilities.

(m) For the year ended March 31, 2023, Unite Communications. ("Unite"), an entity where one of the directors of the Company is also a director, recorded sales revenue of $4,600 (March 31, 2022 – $nil), for business operations related purchases for the Company. As at March 31, 2023, no balance (March 31, 2022 – $nil) owing to Unite was included in accounts payable and accrued liabilities.

For the year ended March 31, 2023, a certain director of the Company advanced the Company $99,500 and the Company issued a promissory notes bearing interest at 8% per year compounded annually and payable on demand (see Note 7).

(n) For the year ended March 31, 2023, the Company also recorded sales revenue of $23,567 (period March 31, 2022 – $9,759) from EXT Digital for services rendered. As at March 31, 2023, no balance was (March 31, 2022 – $9,759) due from EXT Digital in accounts receivable.

(o) For the year ended March 31, 2023, EXT Marketing Inc. ("EXT Marketing"), an entity where one of the directors of the Company is also a director, charged fees of $5,500 (March 31, 2022 – $60,500) for marketing services provided to the Company. As at March 31, 2023, no balance (March 31, 2022 – $68,365) owing to EXT Marketing was included in accounts payable and accrued liabilities.

(p) For the year ended March 31, 2023, Foundation Markets Inc. ("FMI"), an affiliated entity of FMICAI where the Executive Chairman and a director of the Company is also the Chairman, charged finders’ fees of $37,600 and $4,000 in connection with the July 2022 and January 2023 Offering respectively. As at March 31, 2023, $4,000 (March 31, 2022 – $7,400) owing to FMI was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

(q) For the year ended March 31, 2023, TextMeAnywhere, an entity where one of the directors of the Company is also a director, charged fees of $6,400 (March 31, 2022 – $nil) for computer and internet services provided to the Company. As at March 31, 2023, $6,400 (March 31, 2022 – $nil) owing to TextMeAnywhere was included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

12. Related Party Transactions (continued)

Other related party transactions (continued)

(r) For the year ended March 31, 2023, a certain director of the Company advanced the Company $5,000 and the Company issued a promissory note bearing interest at 8% per year compounded annually and payable on demand (see Note 7).

(s) For the year ended March 31, 2023, a certain director of the Company advanced the Company $5,000 and the Company issued a promissory note bearing interest at 8% per year compounded annually and payable on demand (see Note 7).

13. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 23% (2022 – 23%) to the effective tax rate is as follows:

	March 31, 2023	**March 31, 2022**
	$	**$**
Reported loss before income taxes	**(1,993,519)**	(2,539,032)
Combined statutory income tax rate	**26.5%**	23%
Expected income tax recovery at current rate	**(528,283)**	(583,978)
Increase (decrease) to the income tax expense resulting from:		
Non-deductible stock-based compensation	**19,555**	232,966
Other permanent differences	**22,972**	12,049
Change in tax benefits not recognized	**485,756**	338,963
	-	-

Deferred tax balances

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying values of assets and liabilities. The temporary differences and unused tax losses that give rise to deferred income tax assets are presented below:

	March 31, 2023	March 31, 2022
	$	$
Non-capital losses carried forward	**3,352,190**	1,517,321
Less: Deferred tax assets not recognized		
Computer equipment and software	**(5,783)**	(30,691)
Share issuance cost	**(26,737)**	-
Net deferred tax assets not recognized	**3,319,670**	1,486,630

As at March 31, 2023 and 2022, the Company had a 100% valuation allowance against its deferred income tax balances as it is not considered probable that sufficient future tax profit will allow the deferred tax assets to be realized.

(Expressed in Canadian Dollars)

13. Income Taxes

Non-capital losses carried forward

The Company's non-capital losses will expire as follows:

	$
2041	12,878
2042	1,504,443
2043	1,834,869
	3,352,190

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 years ended March 31, 2023 and 2022.

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 to a digital marketing business model at a time 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.

(Expressed in Canadian Dollars)

15. Financial Risks (continued)

Liquidity risk (continued)

As at March 31, 2023, the Company had a cash balance of $42,874 (March 31, 2022 – $444,237) to settle liabilities of $1,456,480 (March 31, 2022 – $530,344), and had the following contractual undiscounted obligations:

	Carrying amount	Year 1	Year 2 to 3	Year 4 to 5
Accounts payable and accrued liabilities	923,491	923,491	-	-
Notes payable	280,500	280,500	-	-
Deferred revenue	127,489	127,489	-	-
BDC Loan	125,000	125,000	-	-
Total	**1,456,480**	**1,456,480**	**-**	**-**

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.

Management believes there is sufficient capital to meet short-term business obligations, after taking into account cash flow requirements from operations and the Company's cash position as at March 31, 2023. Nevertheless, management understands that it has to raise more funds to support its operations going forward.

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 March 31, 2023, the Company had no financial instruments which are 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 may have, from time to time, transactions denominated in foreign currencies. The Company's primary exposure to foreign exchange risk is that transactions denominated in foreign currency may expose the Company to the risk of exchange rate fluctuations. Based on its current operations, 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.

(Expressed in Canadian Dollars)

15. Financial Risks (continued)

Fair value (continued)

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 March 31, 2023, the Company did not have any financial instruments which were carried at fair value (March 31, 2022 – $nil).

16. Entity-wide disclosure

Revenues from one customer represent approximately $87,432 of the Company’s total revenues.

17. Subsequent Events

Financings - Private Placements

Date of Issue	Description	Number and Type of Securities Sold	Price per Share / Exercise Price	Description of Consideration
June 8, 2023	Private Placement - Tranche 1, 2023 [(a)]	45,055,001 (Common Shares)	$0.01	Cash
July 4, 2023	Private Placement - Tranche 2, 2023 [(b)]	8,900,000 (Common Shares)	$0.01	Cash
August 23, 2023	Private Placement - Convertible Debentures [(c)]	100 (Debentures)	$1,000	N/A
November 16, 2023	Private Placement - Tranche 3, 2023 [(d)]	15,750,000 (Common Shares)	$0.01	Cash

(a) On June 8, 2023, the Company closed a non-brokered private placement (the "Tranche 1, 2023") through the issuance of 45,055,001 Common Shares at a price of $0.01 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, 3,604,400 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 Foundation Markets Inc. 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 8,900,000 Common Shares at a price of $0.01 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. In connection with Tranche 2, 2023, 712,000 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 Foundation Markets Inc. dated July 4, 2023.

(Expressed in Canadian Dollars)

16. Subsequent Events (continued)

Financings - Private Placements (continued)

(p) 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 (the "Maturity 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 $0.025 (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 $0.075 per Common Share (referred to as the "Conversion Trigger Price"), the Debentures will 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. 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 has 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, 800,000 broker unit purchase warrants , due as compensation to the agent, were waived by the agent as per the fee waiver agreement between the Company and Foundation Markets Inc. dated August 23, 2023.

(q) On November 16, 2023, the Company closed a non-brokered private placement (the "Tranche 3, 2023") through the issuance of 15,750,000 Common Shares at a price of $0.01 per Common Share, for gross proceeds of $157,500. In connection with Tranche 3, 2023 Offering, 1,260,000 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 Foundation Markets Inc. dated November 16, 2023.

Financings – Promissory Notes

(r) Subsequent to March 31, 2023, the Company issued $155,000 of Notes to certain executives and directors, each bearing interest at a rate of 8% per year compounded annually and payable on demand as follows:

Issuance Date	Recipient's Relationship to the Company	Principal Amount
April 11, 2023	Director	20,000
April 11, 2023	Executive	20,000
April 24, 2023	Director	12,500
April 24, 2023	Executive	12,500
May 8, 2023	Executive	40,000
May 10, 2023	Director	40,000
May 24, 2023	Executive	5,000
May 25, 2023	Director	5,000
TOTAL		**155,000**

On June 1, 2023, the Company entered into an on demand promissory note agreement (the "Prom Note") with various lenders of the Company for a principal amount of $27,000. The Prom Note bears interest at a rate of 8% per year compounded annually and is repayable on demand.

16. Subsequent Events (continued)

Other Issuances of Common Shares and Convertible Securities

(s) 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 285,600 Common Shares at a deemed issue price of $0.05 per Common Share.

(t) 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 255,399 Common Shares at a deemed issue price of $0.01 per Common Share.

(u) On May 22, 2023, the Company settled an amount of $5,664 comprised of certain outstanding fees for services provided by a vendor through the issuance of 113,274 Common Shares at a deemed issue price of $0.01 per Common Share.

(v) On May 22, 2023, the Company settled an amount of $29,711 comprised of certain outstanding fees for services provided by vendors through the issuance of 2,971,112 Common Shares at a deemed issue price of $0.01 per Common Share.

(w) On May 22, 2023, the Company settled an amount of $27,200 comprised of certain outstanding fees for services provided by vendors through the issuance of 2,720,000 Common Shares at a deemed issue price of $0.01 per Common Share.

(x) On May 22, 2023, the Company settled an amount of $133,000 with respect to a management bonus for a certain executive of the Company through share issuance of 2,660,000 Common Shares at a deemed issue price of $0.01 per Common Share.

(y) On May 22, 2023, the Company issued 760,716 Common Shares to certain Note holders of the Company at a deemed issue price of $0.01 per Common Share, as bonus shares for bridging the financial needs of the Company.

(z) On May 22, 2023, the Company granted 1,400,000 RSUs to various officers and directors at a deemed issue price of $0.01, expiring May 22, 2026. 35% of the RSUs vested on the first anniversary of the grant date, 33% vested on each following anniversary of the grant date.

(aa) On June 9, 2023, the Company settled an amount of $100,000 comprised of certain outstanding fees for services provided by vendors through the issuance of 10,000,000 Common Shares at a deemed issue price of $0.01 per Common Share.

(bb) On June 9, 2023, the Company issued 427,531 Common Shares to certain executives in connection with temporary salary reduction at a deemed issue price of $0.01 per Common Share.

(cc) On June 9, 2023, the Company issued 320,357 bonus shares to certain executives in connection with bridging the Company’s financial needs at a deemed issue price of $0.01 per Common Share.

(dd) On June 9, 2023, the Company settled an amount of $10,000 comprised of certain outstanding fees for services provided by vendors through the issuance of 1,000,000 Common Share at a deemed issue price of $0.01 per Common Share.

16. Subsequent Events (continued)

Other Issuances of Common Shares and Convertible Securities

(ee) On October 13, 2023, pursuant to a voluntary separation agreement ("CEO Agreement") between the Company and its previous CEO, the Company issued 2,000,000 Common Shares to the previous CEO at a deemed issue price of $0.01 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 900,000 RSUs were completely vested and converted to Common Shares as part of the CEO Agreement.

(ff) On October 13, 2023, the Company granted 5,000,000 Options to a certain executive. One-third (1/3) of the Options have an exercise price of $0.02 per Common Share, One-third (1/3) of the Options have an exercise price of $0.035 per Common Share and one-third (1/3) of the Options have an exercise price of $0.04 per Common Share. The Options vest in six month tranches as follows: one-quarter (1/4) on April 13, 2024, one-quarter (1/4) on October 13, 2024, one-quarter (1/4) on April 13, 2025, and one-quarter (1/4) on October 13, 2025.

(gg) 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 400,000 Common Shares at a deemed issue price of $0.01 per Common Share.

(hh) 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 1,710,000 Common Shares at a deemed issue price of $0.01 per Common Share.

(ii) 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 700,000 Common Shares at a deemed issue price of $0.01 per Common Share.

(jj) On January 12, 2024, the Company granted 4,000,000 options to certain directors and officers. All vested immediately at an exercise price of $0.01125 per Common Share. In addition, 3,990,000 options were granted to certain directors, officers and employees. All vested 12 months from date of grant at an exercise price of $0.01125 per Common Share. Furthermore, on the same date, 2,000,000 options were granted to certain employees and consultants. Vesting one-third (1/3) of the Options immediately, one-third (1/3) vesting in 12 months, and one-third (1/3) in 24 months; at an exercise price of $0.01125 per Common Shares.

(kk) On January 12, 2024, the Company issued 4,000,000 Common Shares to certain directors and officers of the Company at a price of $0.01 per Common Share.

Directors, Officers and Key Management

(ll) On August 1, 2023, Mr. Keith Li, who provided Chief Financial Officer ("CFO") services to the Company under Branson, resigned from his position as CFO.

(mm) On August 1, 2023, the Company and 2763168 Ontario amended the consulting agreement previously executed on January 1, 2023. Pursuant to the amendment, the principal of 2763168 Ontario, who is also a director of the Company, is providing Interim Chief Financial Officer services in addition to Executive Vice President of Finance services to the Company through 2763168 Ontario.

(nn) On October 13, 2023, the CEO resigned pursuant to the CEO Agreement to pursue other opportunities.

(oo) On October 13, 2023, Mr. Brandon Mina was appointed as the Chief Executive Officer of the Company.

16. Subsequent Events (continued)

Other Issuances of Common Shares and Convertible Securities (continued)

(pp) On October 23, 2023, the Company and 2041423 Ontario Limited, an entity where Mr. Jeremy Goldman, director of the Company, is the principal, entered into a consulting agreement whereby Mr. Jeremy Goldman will provide the services of Interim Chief Operating Officer for a monthly remuneration of $5,000.

(qq) On November 30, 2023, Mr. Brandon Mina and Mr. Andres Tinajero were appointed to the Board of Directors following the resignations of Mr. Taif Ahmed and Mr. Marc Lakmaaker, respectively, on the same date.

(rr) On January 9, 2024, Mr. Taif Ahmed resigned as Interim-Chief Financial Officer and Executive Vice President of Finance of the Company. On the same day, Mr. Kyle Appleby was appointed as Interim-Chief Financial Officer and Executive Vice President of Finance of the Company.

(ss) On the same day, the Company and CFO Advantage Inc., an entity where Mr. Kyle Appleby is the principal, entered into a consulting agreement whereby Mr. Appleby, though CFO Advantage Inc. will provide the services of Chief Financial Officer of the Company for a monthly remuneration.

Acquisition of Xemoto Media Ltd. By Universal PropTech Inc.

(tt) On September 18, 2023, the Company entered into a binding letter of intent (the "LOI") with Universal PropTech Inc. ("UPI") whereby UPI intends to acquire (the "Proposed Transaction") 100% of the issued and outstanding securities of the Company (the "Xemoto Securities") and securityholders of the Company will receive UPI Securities (as defined below) in exchange for their Xemoto Securities. UPI and the Company will negotiate and enter into a definitive agreement in respect of the Proposed Transaction on or before May 31, 2024 (the "Definitive Agreement"). Pursuant to the Proposed Transaction: (i) holders of Common Shares will receive 0.225 of a common share in the capital of UPI (each whole share being a "UPI Share") for each Common Share (the "Exchange Ratio") held; and (ii) all outstanding securities convertible into Common Shares shall be exchanged, based on the Exchange Ratio, for equivalent securities to purchase UPI Shares on substantially similar terms and conditions (the "UPI Securities"). Pursuant to the terms of the LOI, UPI and the Company entered into a loan agreement (the "UPI Loan") whereby UPI advanced $250,000 to the Company (the "Principal Sum"). The maturity date of the UPI Loan is the earlier of (i) the closing of the Proposed Transaction, (ii) the termination of the LOI by either party or expiry of the LOI without having executed a Definitive Agreement in respect of the Proposed Transaction (the "Maturity Date"). The UPI Loan bears no interest until the Maturity Date if repaid in accordance with the terms of the LOI. In the case of a default, interest accrues, payable monthly, at a rate of 18% per annum. UPI was granted a general security agreement from the Company in favour of UPI, constituting a lien on all of the present and future property of the Company. The final structure of the Proposed Transaction is subject to the receipt of tax, corporate and securities law advice for both UPI and the Company. Upon completion of the Proposed Transaction, the issuer resulting from the Proposed Transaction (the "Resulting Issuer") will carry on the business of the Company. Closing of the Proposed Transaction will be subject to a number conditions, including, without limitation: approval of the Proposed Transaction by the boards of directors of UPI and the Company; completion of satisfactory results from due diligence investigations for each of the parties; execution of a Definitive Agreement effecting the Proposed Transaction; receipt of all regulatory approvals with respect to the Proposed Transaction and the listing of the common shares of the resulting issuer on the Canadian Securities Exchange ("CSE"); and approval of the Proposed Transaction by the shareholders of the Company. There can be no assurance that all of the necessary regulatory and shareholder approvals will be obtained, or that all conditions of closing will be met. The Proposed Transaction is at arm's length and is not subject to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. All insiders of the Company are arm's length parties of UPI. Certain UPI Shares to be issued pursuant to the Proposed Transaction are expected to be subject to restrictions on resale or escrow under the policies of the CSE, including the securities to be issued to principals, which will be subject to the escrow requirements of the CSE.

(uu) On October 20, 2023, UPI and the Company executed the UPI Loan; the Company received the Principal Sum of $250,000 on October 23, 2023.

16. Subsequent Events (continued)

(vv) On October 31, 2023, the Company and UPI executed an amendment to the LOI whereby the parties will enter into a Definitive Agreement on or before November 30, 2023. And on November 29, 2023, the Company and UPI executed a further amendment to the LOI whereby the parties agreed to enter into a Definitive Agreement on or before February 28, 2024.

(ww) On February 6, 2024, the Company, UPI, and 1000615911 Ontario Inc., a wholly-owned subsidiary of UPI, entered into an acquisition agreement detailing the terms and conditions of the change of business transaction between the Company and UPI (the "COB"). Pursuant to the COB, (i) holders of Common Shares will receive 0.225 of a common share in the capital of UPI (each whole share being a "UPI Share") for each Common Share (the "Exchange Ratio") held; and (ii) all outstanding securities convertible into Common Shares shall be exchanged, based on the Exchange Ratio, for equivalent securities to purchase UPI Shares on substantially similar terms and conditions. The COB is expected to be completed on or about May 31, 2024 subject to the satisfaction or waiver of all applicable conditions. If the COB is completed, the combined entity (the "Resulting Issuer") will continue to carry on the business of the Company and will have its shares listed on the Canadian Securities Exchange (the "CSE"). There is no certainty that the COB will be completed by May 31, 2024 or at all.

Others

(xx) On January 16, 2024, the Company received a letter from Black Oak Ventures Ltd. (“Black Oak”), an entity where the former President of the Company is the principal, demanding for repayment of outstanding consulting fees in the amount of $119,530.

(yy) On January 23, 2024, the Company received a Statement of Claim from Black Oak Ventures Ltd. (“Black Oak”), an entity where the former President of the Company is the principal, for repayment of $119,530 for breach of contract. This amount is recorded in the financial statements for the year ended March 31, 2023 as accounts payable. Provision for any potential additional interest and legal costs is not recorded as provision considering the amount is not determinable at the time of preparing the financial statements.

Xemoto Media Ltd.

Financial Statements

For the Year Ended March 31, 2022

and

The Period from July 6, 2020 (Date of Incorporation) to March 31, 2021

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Xemoto Media Ltd:

Opinion

We have audited the financial statements of Xemoto Media Ltd (the "Corporation"), which comprise the statements of financial position as at March 31, 2022 and March 31, 2021, and the statements of loss and comprehensive loss, the statements of changes in equity and the statements of cash flows for the year ended March 31, 2022 and the period from July 6, 2020 to March 31, 2021 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2022 and March 31, 2021, and its financial performance and its cash flows for the year ended March 31, 2022 and the period from July 6, 2020 to March 31, 2021 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion
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We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the financial statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements which indicates that the Corporation incurred a loss of $2,539,032 for the year ended March 31, 2022, and $12,878 for the period from July 6, 2020 to March 31, 2021 and the Corporation's accumulated deficit was $2,492,511 and $12,878 as at March 31, 2022 and 2021 respectively. As stated in Note 1, It is not possible to predict whether financing efforts will continue to be successful in the future or if the Corporation will attain profitable levels of operations. These conditions, including the unpredictability of the SaaS business, and the stock market volatility, represent material uncertainties which may cast doubt on the Corporation's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation’s financial reporting process.

Auditor's Responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erkin Atakhanov.

PKF Antares

Chartered Professional Accountants
Licensed Public Accountants

Calgary, Alberta
October 20, 2023

Xemoto Media Ltd.
Statements of Financial Position
(Expressed in Canadian Dollars)

	As at March 31, 2022	As at March 31, 2021
	$	$
Assets		
Current Assets		
Cash	**444,237**	-
Accounts receivables (Note 4)	**34,053**	-
Total Current Assets	**478,290**	-
Computer equipment, software and intangibles (Note 5)	**90,954**	-
Total Assets	**569,244**	-
Liabilities		
Current Liabilities		
Bank overdraft	**-**	86
Accounts payable and accrued liabilities (Note 6)	**530,344**	12,762
Total Liabilities	**530,344**	12,848
Shareholders' Equity		
Share capital (Note 8)	**1,294,402**	30
Reserve for share-based payments (Note 9)	**72,918**	-
Reserve for warrants (Note 10)	**1,164,091**	-
Accumulated deficit	**(2,492,511)**	(12,878)
Total Equity	**38,900**	(12,848)
Total Liabilities and Shareholders' Equity	**569,244**	-

Nature of operations and going concern (Note 1)
Subsequent events (Note 15)

Approved on behalf of the Board of Directors:

"Adam Szweras" (signed)
Chairman

"Taif Ahmed" (signed)
Director

Xemoto Media Ltd.

Statements of Loss and Comprehensive Loss
For the Year Ended March 31, 2022 and the Period from Incorporation to March 31, 2021
(Expressed in Canadian Dollars)

	Year ended March 31, 2022	For Period from Incorporation to March 31, 2021
	$	$
Revenue		
Sales revenue	**25,511**	-
Cost of sales	**(41,779)**	-
Gross Loss	**(16,268)**	-
Expenses		
Management salaries and consulting fees (Note 11)	**1,091,777**	-
Share-based compensation (Notes 9, 10 and 11)	**1,012,894**	-
Professional fees (Note 11)	**195,438**	12,762
Office and general	**100,804**	116
Research and development	**28,415**	-
Marketing and advertising	**25,896**	-
Amortization on computer, software and intangibles (Note 5)	**18,589**	-
Travel, and meals & entertainment	**963**	-
	(2,474,776)	(12,878)
Loss before Other Expenses	**(2,491,043)**	(12,878)
Other Losses		
Interest and accretion (Note 7)	**(16,775)**	-
Fair value change in derivative liability (Note 7)	**(23,971)**	-
Write-off of assets (Note 5)	**(5,000)**	-
Foreign exchange loss	**(2,243)**	-
Total Other Losses	**(47,989)**	-
Net Loss and Comprehensive Loss	**(2,539,032)**	(12,878)

Xemoto Media Ltd.
Statements of Cash Flows
For the Year Ended March 31, 2022 and the Period from Incorporation to March 31, 2021
(Expressed in Canadian Dollars)

	Year ended March 31, 2022	For Period from Incorporation to March 31, 2021
	$	$
Operating Activities		
Net loss for the year	(2,539,032)	(12,878)
Adjustments for non-cash items:		
Share-based compensation (Notes 9, 10 and 11)	1,012,894	-
Amortization on computer, software and intangibles (Note 5)	18,589	-
Finance costs (Note 7)	16,775	-
Fair value change in derivative liability (Note 7)	23,971	-
Write-off of assets (Note 5)	5,000	-
Loss on debt settlement	-	-
	(1,461,803)	(12,878)
Net change in non-cash working capital items:		
Accounts receivables	(34,053)	-
Accounts payable and accrued liabilities	523,962	12,762
Cash Flows (used in) Operating Activities	(971,894)	(116)
Financing Activities		
Proceeds from issuance of founders' shares (Note 8)	-	30
Proceeds from private placement financings (Note 8)	1,294,500	-
Share issue costs	(73,740)	-
Advances received from related party (Note 11)	63,199	-
Repayment of advances to related party (Note 11)	(63,199)	-
Proceeds from exercise of warrants (Notes 8 and 10)	210,000	-
Cash Flows provided by Financing Activities	1,430,760	30
Investing Activities		
Purchases of Computer equipment, software and intangibles (Note 5)	(14,543)	-
Cash Flows (used in) Investing Activities	(14,543)	-
Increase (decrease) in cash	444,323	(86)
Cash (bank overdraft), beginning of year / period	(86)	-
Cash (bank overdraft), end of year	444,237	(86)

Xemoto Media Ltd.

Statements of Changes in Shareholders' Equity
For the Year Ended March 31, 2022 and the Period from Incorporation to March 31, 2021
(Expressed in Canadian Dollars)

	Number of shares	Share Capital	Share-based payments	Warrants Reserve	Accumulated deficit	Total
	#	$	$	$	$	$
Balance, July 6, 2020	-	-	-	-	-	-
Issuance of shares on incorporation (Note 8(a) and (b))	10,000,002	30	-	-	-	30
Net loss for the period	-	-	-	-	(12,878)	(12,878)
Balance, March 31, 2021	**10,000,002**	**30**	**-**	**-**	**(12,878)**	**(12,848)**
Issuance of shares from private placements (Notes 8(c),(e),(f) and (h))	25,890,000	978,400	-	316,100	-	1,294,500
Issuance of finders' warrants from private placements (Notes 9(a),(b),(d) and (e))	-	-	-	38,583	-	38,583
Share issuance costs	-	(82,212)	-	(30,112)	-	(112,324)
Issuance of shares on debt settlement (Note 8(d))	127,590	6,380	-	-	-	6,380
Issuance of shares on conversion of promissory note (Notes 7 and 8(g))	2,126,171	140,747	-	-	-	140,747
Stock-based compensation (Note 9)	-	-	72,918	939,976	-	1,012,894
Exercise of warrants (Note 8(f))	4,200,000	251,057	-	(41,057)	-	210,000
Expiry of warrants (Note 10)	-	-	-	(59,399)	59,399	-
Net loss for the year	-	-	-	-	(2,539,032)	(2,539,032)
Balance, March 31, 2022	**42,343,763**	**1,294,402**	**72,918**	**1,164,091**	**(2,492,511)**	**38,900**

1. Nature of Operations and Going Concern

Xemoto Media Ltd. (“Xemoto” or the “Company” formerly known as Untappedlabs Inc.) was incorporated under the Business Corporations Act on July 6, 2020. Effective May 14, 2021, the Company filed Articles of Amendment, and changed its name to Xemoto Media Ltd. Xemoto is a business-to-business investor marketing Software as a Service (SaaS) company. Using its core proprietary platform, Spectrum, the Company disseminates clients’ news releases and/or other investor focused content to retail investors. This is done through the Company's affiliated financial influencers (“"**Finfluencers**”")~~ in~~, which operate on a wide range of social media channels including Facebook, Twitter, Instagram, Tiktok, Reddit, etc.

The address of the Company’s registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

On February 8, 2022, the Company completed a stock split of its common shares on a one-to-two basis (the “Stock Split”). Accordingly, the financial statements had been adjusted retrospectively for the impact of the Stock Split.

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 year ended March 31, 2022, it also incurred a net and comprehensive loss of $2,539,032 during the year ended March 31, 2022, and as of that date, the Company’s accumulated deficit was $2,492,511. It is not possible to predict whether financing efforts will continue to be successful in the future or if the Company will attain profitable levels of operations. These conditions, including the unpredictability of the SaaS business, stock market volatility, represent material uncertainties which may cast significant doubt on the Company’s ability to continue as a going concern.

These financial statements do not include adjustments to the carrying values of the assets and liabilities, the reported sales and expenses, and the balance sheet classifications used, which would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments may be material.

2. Basis of Presentation

(a) Statement of Compliance

The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These financial statements were reviewed, approved and authorized for issuance by the Board of Directors (the “Board”) of the Company on October 20, 2023.

(b) Basis of Measurement

These financial statements have been prepared on the historical cost basis except to 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.

(c) 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.

2. Basis of Presentation (continued)

(d) 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. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows and the Company's cash position at year-end.

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 are 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 contains 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 Company's 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, software and intangibles

Depreciation/amortization of computer equipment, software and intangibles 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 computer, software and intangibles, 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.

2. Basis of Presentation (continued)

(d) Significant Accounting Judgments and Estimates (continued)

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.

3. Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, term deposits, and similar type of instruments with an original maturity of three months or less at the time or purchase. As at March 31, 2022, the Company had a cash balance of $444,327 and as at March 31, 2021, the Company did not have any cash equivalents on hand.

(b) Revenue from Contracts with Customers

The Company's policy for the timing and amount of revenue to be recognized is based on the following 5-step process:

- Identify the contract with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price, which is the total consideration provided by the customer.
- Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- Recognize revenue when the relevant criteria are met for each unit (at a point in time or over time).

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised services to a customer.

The Company's contracts with customers for the distribution of marketing contents consist of one performance obligation, when the Company assigns clients to a Finfluencer who handles the distribution program. The Company has concluded that revenue from the provision of services should be recognized at the point in time when services had been delivered and provided to the customers.

(c) Financial Instruments

The Company classifies and measures financial instruments in accordance with IFRS 9 – Financial Instruments ("IFRS 9"). A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes financial assets and financial liabilities on the statements of financial position when it becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial assets in the following measurement categories: (a) FVTPL; (b) fair value through other comprehensive income ("FVTOCI"); and (c) amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains or losses are recorded in profit or loss. The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

3. Summary of Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

Classification (continued)

Fair value through profit or loss

This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category would also include debt instruments whose cash flow characteristics fail the solely principal and interest (“SPPI”) criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in the statements of loss and comprehensive loss.

Financial assets at fair value through other comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in FVTOCI instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at FVTOCI are initially measured at fair value and changes therein are recognized in other comprehensive income (loss). As at March 31, 2022 and 2021, the Company did not have any financial assets at FVTOCI.

Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. Financial assets classified in this category are measured at amortized cost using the effective interest method.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (loss) (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income (loss).

The Company’s classification of financial assets and financial liabilities is summarized below:

Cash and cash equivalents	Amortized cost
Accounts receivable (excluding sales tax recoverable)	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

3. Summary of Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

Classification (continued)

Expected credit loss impairment model

Under IFRS 9 – Financial Instruments, the Company recognizes a provision for ECL on financial assets that are measured on amortized cost. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

Derecognition

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

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

Gains or losses on derecognition are generally recognized in profit or loss.

Determination of fair value

The determination of fair value requires judgment and is based on market information, where available and appropriate. 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).

(d) Computer equipment, software and intangibles

Computer equipment, software and intangibles are carried at cost less accumulated depreciation/ amortization and impairment losses. Cost includes the acquisition costs or construction costs, as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When an asset includes significant components with different useful lives, they are recorded and amortized separately.

Depreciation and amortization is computed using the straight-line method based on the estimated useful life of the assets and commences when title and ownership have transferred to the Company and is readily available for its intended use. The residual value, useful life and depreciation methods are reviewed at the end of each reporting period. Such a review takes into consideration the nature of the asset, the intended use and impact of technological changes. Where parts of an item of assets have different useful lives, they are accounted for as separate items of capital assets. Subsequent costs are included in the asset carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

3. Summary of Significant Accounting Policies (continued)

(d) Computer equipment, software and intangibles (continued)

Depreciation/ amortization is recorded on a straight-line basis as follows:

- Computer equipment: Straight-line basis over three years
- Software: Straight-line basis over five years

(e) Impairment of Long-Lived Assets

Long-lived assets, including computer equipment, software and intangibles, are reviewed for impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less cost of disposal, and its value in use. 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 if no impairment loss had been recognized previously.

(f) Compound Instruments

The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar convertible instrument. This amount is recorded as a liability, at amortized cost, using the effective interest rate method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component of the total fair value of the compound instrument. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured.

Transaction costs related to the issuance of the convertible debentures are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the convertible debentures using the effective interest method. Interest and accretion expense are recognized as a finance cost in the statements of loss and comprehensive loss.

The conversion feature which does not meet equity classification, as it contains contractual terms that result in the potential adjustment in the conversion or exercise price, is accounted for as embedded derivative liabilities as its fair value is affected by changes in the fair value of the Company's common shares. The effect is that the convertible debentures are accounted for at amortized cost, with the embedded derivative liabilities being measured at fair value with changes in value being recorded in profit or loss.

(g) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

3. Summary of Significant Accounting Policies (continued)

(h) Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss).

Current income tax is recognized and measured at the amount expected to be recovered from, or payable to, the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recorded for temporary differences at the date of the statements of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at the end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if, and only if, they relate to income taxes levied by the same taxation authority and the Company has the legal rights and intent to offset.

Estimates

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(i) Share Capital

In situations where the Company issues units, the value of units is bifurcated and the value of warrants is included as a separate reserve for warrants of the Company's equity. The proceeds from the issuance of units are allocated between common shares and warrants on a pro-rated basis using the relative fair value method. The fair value of the common shares is determined using the share price at the date of issuance of the units. The fair value of the warrants is determined using Black-Scholes. Expired warrants are transferred to retained earnings (deficit).

(j) Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

(k) Share-Based Payments Transactions

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of options is determined using Black–Scholes. The fair value of equity-settled share-based compensation transactions are recognized as an expense with a corresponding increase in the reserve for share-based payments. Expired options are transferred to retained earnings (deficit).

3. Summary of Significant Accounting Policies (continued)

(l) Restricted Share Units

Restricted share units ("**RSUs**") are measured at the fair value of the date of grant, based on the closing price of the Company's common shares on the date of grant. The fair value of share-based compensation on RSUs are recognized as an expense with a corresponding increase in the reserve for share-based payments over the vesting period.

(m) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(n) Research and Development Costs

Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized as internally generated intangible assets if the Company can demonstrate each of the following criteria:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible assets and use or sell it;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

(o) Adoption of New Accounting Standards

The Company adopted the following amendments, effective April 1, 2021. These changes were made in accordance with the applicable transitional provisions:

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The Company had assessed that the adoption of these amendments did not have any material impact on the financial statements.

(p) Recent Accounting Pronouncements

As at the date of authorization of these financial statements, the IASB and the IFRS Interpretations Committee had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after April 1, 2022. Many are not applicable or do not have a significant impact to the Company, have been excluded. The Company is currently assessing the impact in adopting the following amendments on its financial statements:

Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

(p) Recent Accounting Pronouncements (continued)

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. Early application is permitted.

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amended IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

4. Accounts Receivable

	March 31, 2022	March 31, 2021
	$	$
Sales taxes receivable	**24,294**	-
Accrued receivables	**9,759**	-
	34,053	-

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

(Expressed in Canadian Dollars)

5. Computer, software and intangibles

The Company's computer, software and intangibles are comprised of the following as at March 31, 2022 and 2021:

	Computer equipment	Software	Total
	$	$	$
Cost at:			
July 6, 2020 and March 31, 2021	-	-	-
Additions	14,543	100,000	**114,543**
Write-down	-	(5,000)	**(5,000)**
March 31, 2022	**14,543**	**95,000**	**109,543**
Accumulated depreciation/amortization at:			
July 6, 2020 and March 31, 2021	-	-	-
Depreciation/ amortization	1,964	16,625	**18,589**
March 31, 2022	**1,964**	**16,625**	**18,589**
Net book value:			
March 31, 2021	-	-	-
March 31, 2022	**12,579**	**78,375**	**90,954**

Software comprised of the Company's core proprietary platform, Spectrum, which connects Xemoto's clients with Finfluencers, for the purpose of disseminating client's news releases and/or other investor focused content to retail investors, who in turn are followers of such Finfluencers in a wide range of social media channels.

During the year ended March 31, 2022, the Company recorded a write-down of $5,000 on a separate software acquired under the Purchase Agreement (as defined hereafter; see Note 7).

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases incurred in the normal course of business. The Company's accounts payable and accrued liabilities consisted of the following as at March 31, 2022 and 2021:

	March 31, 2022	March 31, 2021
	$	$
Trade payables	**390,208**	6,762
Accrued liabilities	**140,137**	6,000
	530,344	12,762

7. Convertible Promissory Note

On May 14, 2021, the Company entered into an asset purchase agreement (the "Purchase Agreement") with a vendor, pursuant to which the Company acquired certain proprietary software, for consideration equal to $100,000 payable in the form of a convertible promissory note (the "Convertible Promissory Note") in the principal amount of $100,000. The Convertible Promissory Note bears interest at a rate of 8% per year compounded annually and is repayable three years from the issuance date (the "Maturity Date"). Pursuant to the terms of the Convertible Promissory Note, the entire unpaid and outstanding principal amount shall be automatically converted into common shares of the Company, at a price equal to a price at which the Company completes a private placement for minimum gross proceeds equal to $500,000 or the price of a prospectus offering of common shares, whichever takes place first (the "Conversion Price").

(Expressed in Canadian Dollars)

7. Convertible Promissory Note (continued)

The liability portion of the Convertible Promissory Note was assigned a value based on the present value of the contractually determined stream of future cash flows discounted at 18%. The rate is estimated to be equivalent market interest rate that would apply to a similar liability which does not contain an equity conversion option. The portion related to the conversion feature is classified as liabilities. The conversion feature does not meet equity classification, as it contains contractual terms that result in the potential adjustment in the Conversion Price. In failing the equity classification, the conversion feature is accounted for as an embedded derivative liability as its fair value is affected by changes in eventual financing price. The effect is that the Convertible Promissory Note is accounted for at amortized cost, with the embedded derivative liability being measured at fair value with changes in value being recorded in profit or loss. The discount is being accreted over the term of the Convertible Promissory Note utilizing the effective interest method at a 16.7% discount rate.

On February 18, 2022, the Company completed a private placement financing of 14,240,000 units ("Units") at a price of $0.05 per Unit, for gross proceeds of $712,000. As such, it triggered the automatic conversion of the Convertible Promissory Note into 2,126,171 common shares of the Company.

The following table reflects the changes to the Convertible Promissory Note for the year ended March 31, 2022:

	$
Balance, March 31, 2021	**-**
Issuance of convertible promissory note	100,000
Fair value of derivative conversion option on date of issuance	(22,707)
Interest and accretion expense	16,775
Conversion of promissory note and interest accrued	(94,068)
Balance, March 31, 2022	**-**

The changes to the embedded derivative liability related to the Convertible Promissory Note are as follows:

	$
Balance, March 31, 2021	**-**
Fair value of derivative conversion option on date of issuance	22,707
Fair value changes of derivative liabilities	23,971
Derecognition of derivative liabilities on conversion	(46,678)
Balance, March 31, 2022	**-**

(Expressed in Canadian Dollars)

8. 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 March 31, 2021 and 2022 are as follows:

	Number of common shares [(1)]	Amount
	#	$
Balance, July 6, 2020	**-**	**-**
Shares issued on incorporation [(a and b)]	10,000,002	30
Balance, March 31, 2021	10,000,002	**30**
Shares issued on private placements [(c), (e), (f) and (h)]	25,890,000	978,400
Share issuance costs	-	(82,212)
Shares issued on debt settlement [(d)]	127,590	6,380
Shares issued on conversion of Convertible Promissory Note [(g)]	2,126,171	140,747
Shares issued on exercise of warrants [(i)]	4,200,000	251,057
Balance, March 31, 2022	**42,343,763**	**1,294,402**

[(1)] Adjusted for 1:2 stock split effective February 8, 2022

Share capital transactions for the period from incorporation to March 31, 2022

(a) On July 6, 2020, the Company issued 6,000 common shares to its founders.

(b) On May 14, 2021, the Company approved a resolution empowering the Board to effect a share restructuring of 1,666.667 post-conversion common share for every 1 pre-conversion common shares. Retroactively adjusted for the Share Split, these accounted to 9,994,002 new common shares being issued. The opening number of shares has also been adjusted to reflect this change.

(c) On June 30, 2021, the Company closed a private placement financing (the "June 2021 Offering") of 6,000,000 Units at a price of $0.05 per Unit, for gross proceeds of $300,000. Each Unit is comprised of one common share and one common share purchase warrant ("Warrant") exercisable at $0.05 for a period of five months from closing. No cash commissions were paid in connection to the June 2021 Offering.

(d) On July 21, 2021, the Company issued 127,590 common shares to settle an amount of $USD $5,000 ($6,380) to a consultant for services performed. The common shares were measured at the fair value of goods or services received.

(e) On September 9, 2021, the Company closed a private placement financing (the "September 2021 Offering") of 3,800,000 Units at a price of $0.05 per Unit, for gross proceeds of $190,000. Each Unit is comprised of one common share and one Warrant exercisable at $0.05 up to March 31, 2022. No cash commissions were paid in connection to the September 2021 Offering.

(f) On February 18, 2022, the Company closed a private placement financing (the "February 2022 Offering") of 14,240,000 Units at a price of $0.05 per Unit, for gross proceeds of $712,000. Each Unit is comprised of one common share and one-half of a Warrant exercisable at $0.12 for a period of five years from closing. In connection with the February 2022 Offering, the Company paid finders' fees of $56,960 and issued 1,139,200 finders' warrants (the "Finders' Warrants"), each exercisable into one common share at a price of $0.05 for a period of five years from closing.

(g) On completion of the February 2022 Offering closed on February 18, 2022, an amount of $140,747, comprised of the principal and accrued interest on the Convertible Promissory Note of $94,069, and the fair value of the conversion feature of $46,678, were converted into 2,126,171 common shares of the Company at the Conversion Price of $0.05 per share.

(Expressed in Canadian Dollars)

8. Share Capital (continued)

Share capital transactions for the period from incorporation to March 31, 2022 (continued)

(h) On March 18, 2022, the Company closed a private placement financing (the "March 2022 Offering") of 1,850,000 Units at a price of $0.05 per Unit, for gross proceeds of $92,500. Each Unit is comprised of one common share and one-half of a Warrant exercisable at $0.12 for a period of five years from closing. In connection with the March 2022 Offering, the Company paid finders' fees of $16,781 and issued 148,000 Finders' Warrants, each exercisable into one common share at a price of $0.05 for a period of five years from closing.

(i) During the year ended March 31, 2022, 4,200,000 common shares were issued as a result of the exercise of warrants for cash proceeds of $210,000.

9. Reserve for Share-Based Payments

Stock options

The Company maintains a stock option plan (the "Option Plan") whereby certain key officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that are issuable under the Option Plan is limited to 20% of the number of issued and outstanding common shares. Under the Option Plan, the exercise price of each option may not be less than the closing price of the Company's shares on the trading day prior to the grant date or the grant date itself, whichever is higher. Vesting of options is determined at the discretion of the Board. As at March 31, 2022, the Company had 3,968,752 common shares available for issuance under the Option Plan.

The following summarizes the stock option activity for the year ended March 31, 2022 and the period from incorporation to March 31, 2021:

	March 31, 2022		March 31, 2021	
	Number of options (1)	**Weighted average exercise price (1)**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**-**	**-**	-	-
Granted (a)	**200,000**	**0.05**	-	-
Granted (b)	**900,000**	**0.05**	-	-
Granted (c)	**3,400,000**	**0.05**	-	-
Outstanding, end of year	**4,500,000**	**0.05**	-	-
Exercisable, end of year	**1,200,000**	**0.05**	-	-

(1) Adjusted for 1:2 stock split effective February 8, 2022

(a) On August 17, 2021, the Company granted 200,000 options to an employee at a price of $0.05, expiring on August 17, 2026. The options vest 1/3 on each of December 31, 2021, July 1, 2022 and December 31, 2022. The options were valued using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 0.81% and an expected life of five years. The grant date fair value attributable to these options was $6,620, of which $4,770 was recorded as share-based compensation in connection with the vesting of these options during the year ended March 31, 2022.

(b) On November 1, 2021, the Company granted 900,000 options to an officer at a price of $0.05, expiring on November 1, 2026. The options vest 1/4 on each anniversary of grant starting on November 1, 2022. The options were valued using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 1.50% and an expected life of five years. The grant date fair value attributable to these options was $28,896, of which $6,183 was recorded as share-based compensation in connection with the vesting of these options during the year ended March 31, 2022.

(Expressed in Canadian Dollars)

9. Reserve for Share-Based Payments (continued)

Stock options (continued)

(c) On November 30, 2021, the Company granted 3,400,000 options to various officers, directors, employees and consultants at a price of $0.05, expiring on November 30, 2026. 1/3 of the options vested immediately on grant, with 1/3 vesting on each following anniversary of grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 1.40% and an expected life of five years. The grant date fair value attributable to these options was $109,105, of which $54,453 was recorded as share-based compensation in connection with the vesting of these options during the year ended March 31, 2022.

The following table summarizes information of stock options outstanding and exercisable as at March 31, 2022:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining contractual life
	#	#	$	Years
August 17, 2026	200,000	66,667	0.05	4.38
November 1, 2026	900,000	-	0.05	4.59
November 30, 2026	3,400,000	1,133,333	0.05	4.67
	4,500,000	**1,200,000**	**0.05**	**4.64**

(1) Adjusted for 1:2 stock split effective February 8, 2022

Restricted share units

On November 1, 2021, the Company granted 900,000 RSU's to an officer, which vest in quarters (1/4) one each anniversary of grant starting on November 01, 2022. Share-based compensation of $7,511 in connection with the vesting of these RSUs was recorded during the year ended March 31, 2022.

10. Reserve for Warrants

The following summarizes the warrant activity for the year ended March 31, 2022 and the period from incorporation to March 31, 2021:

	March 31, 2022		March 31, 2021	
	Number of warrants (1)	**Weighted average exercise price (1)**	Number of warrants	Weighted Average exercise price
	#	$	#	$
Outstanding, beginning of year	**-**	**-**	-	-
Issued from private placement offerings (a),(b)	**9,800,000**	**0.05**	-	-
Issued from private placement offerings (d),(e)	**8,045,000**	**0.12**	-	-
Issued from rights offerings (d)	**12,063,795**	**0.12**	-	-
Exercised	**(4,200,000)**	**0.05**	-	-
Expired	**(5,600,000)**	**0.05**	-	-
Finders' Warrants issued from offerings	**1,287,200**	**0.05**	-	-
Outstanding, end of year	**21,395,995**	**0.12**	-	-

(1) Adjusted for 1:2 stock split effective February 8, 2022

10. Reserve for Warrants (Continued)

(a) On June 30, 2021, the Company issued 6,000,000 Warrants in connection with the June 2021 Offering, as disclosed in Note 8(c). Each Warrant is exercisable at $0.05 to purchase one common share of the Company for five months from closing. The grant date fair value of the Warrants issued was estimated to be $58,653 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 0.15% and an expected life of 0.42 years. Of these Warrants, 1,800,000 expired unexercised on November 30, 2021.

(b) On September 9, 2021, the Company issued 3,800,000 Warrants in connection with the September 2021 Offering, as disclosed in Note 8(e). Each Warrant is exercisable at $0.05 to purchase one common share of the Company up to March 31, 2022. The grant date fair value of the Warrants issued was estimated to be $41,803 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 0.17% and an expected life of 0.56 years. These Warrants expired unexercised on March 31, 2022.

(c) On February 17, 2022, the Company offered 12,063,795 rights to various officers, directors and consultants. All rights were exercised at $0.0001, which gave each holder the right to one Warrant exercisable at $0.12, for a period of five years from grant. The grant date fair value of the rights issued was estimated to be $939,976 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 1.75% and an expected life of five years. The grant date fair value attributable to these rights of $939,976 was recorded as share-based compensation during the year ended March 31, 2022.

(d) On February 18, 2022, the Company issued 7,120,000 Warrants in connection with the February 2022 Offering as disclosed in Note 8(f). Each warrant is exercisable at $0.12 into one common share of the Company for a period of five years from closing. The grant date fair value of the Warrants issued was estimated to be $190,814 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 1.72% and an expected life of five years.

In connection with the February 2022 Offering 1,139,200 Finders' Warrants were issued as compensation. The Finders' Warrants are exercisable at $0.05 to purchase one common share of the Company for a period of five years from closing. The grant date fair value of the Finders' Warrants issued was estimated to be $34,140 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 1.72% and an expected life of five years.

(e) On March 18, 2022, the Company issued 925,000 Warrants in connection with the March 2022 Offering as disclosed in Note 8(h). Each warrant is exercisable at $0.12 into one common share of the Company for a period of five years from closing. The grant date fair value of the Warrants issued was estimated to be $24,830 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.02% and an expected life of five years.

In connection with the March 2022 Offering 148,000 Finders' Warrants were issued as compensation. The Finders' Warrants are exercisable at $0.05 to purchase one common share of the Company for a period of five years from closing. The grant date fair value of the Finders' Warrants issued was estimated to be $4,442 using Black-Scholes with the following assumptions: expected volatility of 125% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.02% and an expected life of five years.

(Expressed in Canadian Dollars)

10. Reserve for Warrants (Continued)

The following table summarizes information of warrants outstanding as at March 31, 2022:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining contractual life
	#	$	Years
February 17, 2027	12,063,795	0.12	4.89
February 18, 2027	7,120,000	0.12	4.89
February 18, 2027	1,139,200	0.05	4.89
March 18, 2027	925,000	0.12	4.97
March 18, 2027	148,000	0.05	4.97
	21,395,995	**0.12**	**4.89**

11. Related Party Transactions

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

The remuneration of directors and other members of key management personnel during the year ended March 31, 2022 and the period from incorporation to March 31, 2021 were as follows:

	Year ended March 31, 2022	For Period from Incorporation to March 31, 2021
	$	$
Management salaries and consulting fees	**266,312**	-
Professional fees	**227,574**	6,762
Share-based compensation	**64,944**	-
	558,830	6,762

Management salaries and consulting fees

Effective November 1, 2021, Xemoto and the Chief Executive Officer ("CEO") of the Company entered into an employment agreement, whereby the Company agreed to pay an annual salary of $190,000 for the CEO's services. During the year ended March 31, 2022, the Company recorded management salaries of $79,167 (period from incorporation to March 31, 2021 – $nil).

On May 1, 2021, Xemoto and the managing director of the Company ("Managing Director"), entered into a consulting agreement, for a monthly renumeration of USD $8,333 in consideration of the Managing Director's services to be provided to the Company. During the year ended March 31, 2022, the Managing Director, charged fees of $114,905 (period from incorporation to March 31, 2021 – $nil), for services provided to the Company, which are included in management salaries and consulting fees. As at March 31, 2022, $10,413 (March 31, 2021 – $nil) owing to the Managing Director was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the year ended March 31, 2022, Black Oak Ventures Ltd. ("Black Oak"), an entity where the President of the Company is the principal, charged fees of $72,240 (period from incorporation to March 31, 2021 – $nil), for consulting services provided to the Company, which are included in management salaries and consulting fees. As at March 31, 2022, $74,580 (March 31, 2021 – $nil) owing to Black Oak was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

11. Related Party Transactions (continued)

Professional fees

During the year ended March 31, 2022, FMI Capital Advisory Inc. ("FMICAI"), an entity where a director of the Company is the Chairman, charged fees of $121,000 (period from incorporation to March 31, 2021 – $nil), for financial advisory services provided to the Company. As at March 31, 2022, $128,408 (March 31, 2021 – $nil) owing to FMICAI was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the year ended March 31, 2022, Fogler, Rubinoff LLP ("Fogler"), an entity where the same director is a partner, charged fees of $49,824 (period from incorporation to March 31, 2021 – $6,762), for legal services provided to the Company. As at March 31, 2022, $39,397 (March 31, 2021 – $6,762) owing to Fogler was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the year ended March 31, 2022, Branson Corporate Services Ltd. ("Branson"), an entity where the Chief Financial Officer ("CFO") of the Company is employed, charged fees of $56,750 (period from incorporation to March 31, 2021 – $nil), for providing CFO services to the Company, as well as other accounting and administrative services. As at March 31, 2022, 14,125 (March 31, 2021 – $nil) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Share-based compensation

On November 1, 2021, the Company granted 900,000 options to the CEO at an exercise price of $0.05. The options vest 1/4 on each anniversary of grant starting on November 1, 2022. During the year ended March 31, 2022, share-based compensation of $6,183 was recorded in connection with the vesting of these options.

On November 1, 2021, the Company also granted 900,000 RSUs to the CEO under the same vesting terms. During the year ended March 31, 2022, share-based compensation of $7,511 was recorded in connection with the vesting of these RSUs.

On November 30, 2021, the Company granted 2,800,000 options to various officers and directors an exercise price of $0.05. 1/3 of the options vested immediately on grant, with 1/3 vesting on each following anniversary of grant. During the year ended March 31, 2022, share-based compensation of $51,250 was recorded in connection with the vesting of these options.

Other related party transactions

During the year ended March 31, 2022, EXT Digital Inc. ("EXT Digital"), an entity where one of the directors of the Company is also a director, incurred reimbursable fees of $26,949 (period from incorporation to March 31, 2021 – $nil), for business operation related purchase for the Company. As at March 31, 2022, $22,039 (March 31, 2021 – $nil) owing to EXT Digital was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the year ended March 31, 2022, the Company also recorded sales revenue of $9,759 (USD $7,800) (period from incorporation to March 31, 2021 – $nil) from EXT Marketing for services rendered. As at March 31, 2022, the amount of $9,759 (March 31, 2021 – $nil) due from EXT Marketing was included in accounts receivable.

During the year ended March 31, 2022, EXT Marketing Inc. ("EXT Marketing"), an entity where one of the directors of the Company is also a director, charged fees of $60,500 (period from incorporation to March 31, 2021 – $nil), for marketing services provided to the Company. As at March 31, 2022, $68,365 (March 31, 2021 – $nil) owing to EXT Marketing was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

(Expressed in Canadian Dollars)

11. Related Party Transactions (continued)

During the year ended March 31, 2022, the Company received total advances of $63,199 (period from incorporation to March 31, 2021 – $nil), from the same director who is affiliated with FMICAI. The funds were received for working capital purposes and are non-secured and non-interest bearing. As at March 31, 2022, the advances had been entirely repaid to the director.

During the year ended March 31, 2022, officers, directors and other related parties participated in various offerings described in Note 8, and subscribed for 20,703,002 Units, for total gross proceeds of $480,060.

In connection with the February 2022 Offering and the March 2022 Offering, Foundation Markets Inc. ("FMI"), an affiliated entity of FMICAI, where the same director is also the Chairman, charged finders' fees of $56,960 and $7,400, respectively, on each of the aforementioned private placement offerings of the Company. As at March 31, 2022, $7,400 (March 31, 2021 – $nil) owing to FMI was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

12. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 23% (2021 – 23%) to the effective tax rate is as follows:

	March 31, 2022	March 31, 2021
	$	$
Reported loss before income taxes	**(2,539,032)**	(12,878)
Combined statutory income tax rate	**23%**	23%
Expected income tax recovery at current rate	**(583,978)**	(2,962)
Increase (decrease) to the income tax expense resulting from:		
Non-deductible stock-based compensation	**232,966**	-
Other permanent differences	**12,049**	-
Change in tax benefits not recognized	**338,963**	-
	-	-

Deferred tax balances

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying values of assets and liabilities. The temporary differences and unused tax losses that give rise to deferred income tax assets are presented below:

	March 31, 2022	March 31, 2021
	$	$
Non-capital losses carried forward	**1,517,321**	12,878
Less: Deferred tax assets not recognized		
Computer equipment, software and intangibles	**(30,691)**	-
Net deferred tax assets not recognized	**1,486,630**	12,878

As at March 31, 2022 and 2021, the Company had a 100% valuation allowance against its deferred income tax balances as it is not considered probable that sufficient future tax profit will allow the deferred tax assets to be realized.

(Expressed in Canadian Dollars)

12. Income Taxes (continued)

Non-capital losses carried forward

The Company's non-capital losses will expire as follows:

	$
2040	-
2041	12,878
2042	1,504,443
	1,517,321

13. 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. While the Company does not yet have any commercial operations, management monitors its capital structure and makes adjustments 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 rather 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 year ended March 31, 2022 and the period from incorporation to March 31, 2021.

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

14. 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 borrower default on maturity of the instruments. 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 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.

(Expressed in Canadian Dollars)

14. Financial Risks (continued)

Liquidity risk (continued)

As at March 31, 2022, the Company had a cash balance of $444,237 (March 31, 2021 – bank overdraft balance of $86) to settle current liabilities of $530,344 (March 31, 2021 – $12,848), and had the following contractual undiscounted obligations:

	Carrying amount	Year 1	Year 2 to 3	Year 4 to 5
	$	$	$	$
March 31, 2021				
Accounts payable and accrued liabilities	12,848	12,848	-	-
March 31, 2022				
Accounts payable and accrued liabilities	530,344	530,344	-	-

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.

Management believes there is sufficient capital to meet short-term business obligations, after taking into account cash flow requirements from operations and the Company's cash position as at March 31, 2022. Nevertheless, management understands that it will have to raise more funds in order to support its operations going forward.

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 March 31, 2022, the Company had no financial instruments which are 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 may have, from time to time, transactions denominated in foreign currencies. The Company's primary exposure to foreign exchange risk is that transactions denominated in foreign currency may expose the Company to the risk of exchange rate fluctuations. Based on its current operations, 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.

14. Financial Risks (continued)

Fair value (continued)

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 March 31, 2022, the Company did not have any financial instruments which were carried at fair value (March 31, 2021 – $nil).

15. Subsequent Events

On May 30, 2022, the Company granted 400,000 stock options to a number of its employees, at an exercise price of $0.05 per share. The options expire on May 30, 2027. The options vest 1/3 on December 31, 2022, 1/3 on July 1, 2023, and final 1/3 vest on December 31, 2023 until all options are fully vested.

On June 8, 2022, the Company settled an amount of $9,500 comprised of certain outstanding fees for services provided by a vendor, through the issuance of 190,000 common shares of the Company.

On June 8, 2022, the Company settled an amount of $56,932.80 comprised of certain outstanding fees for services provided by vendors, through the issuance of 1,138,656 Units at a price of $0.05 per Unit. Each Unit is comprised of one common share of the Company and one half Warrant. Each whole Warrant is exercisable into one common share at a price of $0.12 until the earlier of (i) the fifth anniversary of the issuance of the Warrant, and (ii) two years following the date of a liquidity event by the Company.

On July 11, 2022, the Company closed a non-brokered private placement (the "Tranche 3 Offering") through the issuance of 9,400,000 Units at a price of $0.05 per Unit, for gross proceeds of $470,000. Each Unit is comprised of one common share of the Company and one half Warrant. Each whole Warrant is exercisable into one common share at a price of $0.12 for a period of five years following the closing. In connection with the Tranche 3 Offering, the Company paid cash commissions of $37,600 to the Agents. In addition, 752,000 broker unit purchase warrants were issued as compensation to the Agents.

On September 12, 2022, the Company issued notes (the "Notes") to a certain executive in the principal amount of $40,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On September 13, 2022, 400,000 options granted on February 2, 2022 to its consultant were cancelled at an exercise price of $0.05 per share.

On September 16, 2022, the Company granted 400,000 stock options to a consultant at an exercise price of $0.05 per share. The options expire on September 16, 2027. The options vest 1/3 immediately, 1/3 on July 1, 2023, and final 1/3 vest on December 31, 2023 until all options are fully vested.

On September 23, 2022, the Company issued notes (the "Notes") to a certain director of the Company in the principal amount of $35,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On September 26, 2022, the Company issued notes (the "Notes") to a certain director of the Company for a principal amount of $35,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On October 4, 2022, the Company issued notes (the "Notes") to a certain director of the Company for a principal amount of $5,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On October 7, 2022, the Company issued notes (the "Notes") to a certain director and lender of the Company for a principal amount of $5,000 and $7,500 respectively, bearing interest at 8% per year compounded annually and its payable upon on demand.

On October 11, 2022, the Company issued notes (the "Notes") to a certain directors and a lender of the Company for a principal amount of $6,000 and $24,000 respectively, bearing interest at 8% per year compounded annually and its payable upon on demand.

On October 19, 2022, 200,000 options granted on February 8, 2022 to its executive were cancelled at an exercise price of $0.05 per share.

On October 24, 2022, the Company issued notes (the "Notes") to a certain director of the Company for a principal amount of 17,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On October 26, 2022, the Company issued notes (the "Notes") to a certain director of the Company for a principal amount of $23,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On November 7, 2022, the Company issued notes (the "Notes") to a certain director of the Company for a principal amount of $10,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On November 9, 2022, the Company issued notes (the "Notes") to a certain director of the Company for a principal amount of $10,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

Subsequently some of these Notes were converted into the Company's common shares.

On January 12, 2023, the Company closed a non-brokered private placement (the "Tranche 4 Offering") through the issuance of 1,200,000 Units at a price of $0.05 per Unit, for gross proceeds of $60,000. Each Unit is comprised of one common share of the Company and one half Warrant. Each whole Warrant is exercisable into one common share at a price of $0.12 for a period of five years following the closing. In connection with the Tranche 3 Offering, the Company paid cash commissions of $4,000 to the Agents. In addition, 80,000 broker unit purchase warrants were issued as compensation to the Agents.

On January 19, 2023, 200,000 options granted on February 8, 2022 to its executive were cancelled at an exercise price of $0.05 per share.

On January 23, 2023, the Company issued notes (the "Notes") to a certain executive of the Company for a principal amount of $31,500, bearing interest at 8% per year compounded annually and its payable upon on demand.

On January 24, 2023, the Company issued notes (the "Notes") to a director of the Company for a principal amount of $31,500, bearing interest at 8% per year compounded annually and its payable upon on demand.

On January 31, 2023, the Company entered into an agreement with Business Development Bank of Canada for a total loan amount of $250,000 ("BDC loan"). The BDC loan is guaranteed by the Company's certain directors, and bounded by the General Security Agreement from Xemoto Media Ltd. The interest payable on the loan is 8.55% + variance interest rate of 3.89% per year. The initial disbursement of the loan of $125,000 was done immediately upon the execution of the loan agreement. The remaining $125,000 of the loan was distributed on July 28, 2023.

On April 11, 2023, the Company issued notes (the "Notes") to a certain executive and director of the Company for a principal amount of $20,000 and $20,000 respectively, bearing interest at 8% per year compounded annually and its payable upon on demand.

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 285,600 common shares of the Company at a price of $0.05 per share.

On April 24, 2023, the Company issued notes (the "Notes") to a certain executive and director of the Company for a principal amount of $12,500 and $12,500 respectively, bearing interest at 8% per year compounded annually and its payable upon on demand.

On May 8, 2023, the Company issued notes (the "Notes") to a certain executive of the Company for a principal amount of $40,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On May 10, 2023, the Company issued notes (the "Notes") to a certain director of the Company for a principal amount of $40,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On May 22, 2023, the Company settled an amount of $12,770 comprised of certain outstanding fees for services provide by a vendor valued at $0.05/share through issuance of 255,399 shares at a considered price of $0.01 per share.

On May 22, 2023, the Company settled an amount of $5,664 comprised of certain outstanding fees for services provide by a vendor valued at $0.05/share through issuance of 113,274 shares at a considered price of $0.01 per share.

On May 22, 2023, the Company settled an amount of $29,711 comprised of certain outstanding fees for services provided by vendors through issuance of 2,971,112 shares at a price of $0.01 per share.

On May 22, 2023, the Company settled an amount of $27,200 comprised of certain outstanding fees for services provided by vendors through issuance of 2,360,000 and 360,000 shares respectively at a considered price of $0.01 per share.

On May 22, 2023, the Company settled an amount of $133,000 management bonus for a certain executive of the Company through share issuance of 2,660,000 common shares at a price of $0.01 per share.

On May 22, 2023, the Company issued 760,716 common shares to certain promissory note holders of the Company at a price of $0.01 per share, as bonus shares for bridging the financial needs of the Company.

On May 22, 2023, the Company granted 1,400,000 restricted share units ("RSUs") to various officers and directors at a price of $0.01, expiring May 22, 2026. 35% of the options vested on the first anniversary of the grant date, 33% vested on each following anniversary of the grant date.

On May 24, 2023, the Company issued notes (the "Notes") to a certain executive of the Company for a principal amount of $5,000 bearing interest at 8% per year compounded annually and its payable upon on demand.

On May 25, 2023, the Company issued notes (the "Notes") to a director of the Company for a principal amount of $5,000 bearing interest at 8% per year compounded annually and its payable upon on demand.

On June 1, 2023, the Company entered into an on demand promissory note agreement (the "Prom Note") with various lenders of the Company for a principal amount of $27,000. The Prom Note bears interest at a rate of 8% per year compounded annually and its repayable upon on demand.

On June 8, 2023, the Company closed a non-brokered private placement (the "Tranche 1, 2023") through the issuance of 45,055,001 common shares at a price of $0.01 per share, for gross proceeds of $450,550. $77,310 received in cash, the remaining gross proceeds in the amount of $373,240 were conversion of promissory notes from various lenders. In connection with Tranche 1, 2023, 36,044 broker unit purchase warrants as compensation to the Agents were waived.

On June 9, 2023, the Company settled an amount of $100,000 comprised of certain outstanding fees for services provided by vendors through issuance of 7,900,000 and 2,100,000 shares respectively at a price of $0.01 per share.

On June 9, 2023, the Company issued 427,531 shares for certain executives in connection with temporary salary reduction at a price of $0.01 per share.

On June 9, 2023, the Company issued 320,357 bonus shares for certain executives in connection with bridging the Company's financial needs at a price of $0.01 per share.

On June 9, 2023, the Company settled an amount of $10,000 comprised of certain outstanding fees for services provided by vendors through issuance of 1,000,000 shares respectively at a price of $0.01 per share.

On July 4, 2023, the Company closed a non-brokered Rights Offering (the "Tranche 2, 2023") through the issuance of 8,900,000 common shares at a price of $0.01 per share, for gross proceeds of $89,000. $79,000 received in cash, the remaining gross proceeds in the amount of $10,000 were conversion of debt settlement from Black Oak Ventures Ltd. In connection with Tranche 2, 2023 Offering, 712,000 wroker unit purchase warrants and cash commission in the amount of $7,120 as compensation to the Agents were waived.

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 (the "**Maturity 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 $0.025 (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 $0.075 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. 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 as compensation to the Debenture agents were waived.

On September 18, 2023, the Company entered into a binding letter of intent (the "**LOI**") with Universal PropTech Inc. (TSXV: UPI) ("**UPI**") whereby UPI intends to acquire (the "**Proposed Transaction**") 100% of the issued and outstanding securities of the Company (the "**Xemoto Securities**") and securityholders of the Company will receive UPI Securities (as defined below) in exchange for their Xemoto Securities. UPI and the Company will negotiate and enter into a definitive agreement in respect of the Proposed Transaction on or before October 31, 2023 (the "**Definitive Agreement**"). Pursuant to the Proposed Transaction: (i) holders of Common Shares will receive 0.225 of a common share in the capital of UPI (each whole share being a "**UPI Share**") for each Common Share (the "**Exchange Ratio**") held; and (ii) all outstanding securities convertible into Common Shares shall be exchanged, based on the Exchange Ratio, for equivalent securities to purchase UPI Shares on substantially similar terms and conditions (the "**UPI Securities**"). Pursuant to the terms of the LOI and pending TSXV acceptance, UPI and the Company intend to enter into a loan agreement (the "**UPI Loan**") whereby UPI will advance $250,000 to the Company (the "**Principal Sum**"). The maturity date of the UPI Loan will be the earlier of (i) the closing of the Proposed Transaction, (ii) the termination of the LOI by either party or expiry of the LOI without having executed a Definitive Agreement in respect of the Proposed Transaction (the "**Maturity Date**"). The UPI Loan shall bear no interest until the Maturity Date if repaid in accordance with the terms of the LOI. In the case of a default, interest shall accrue, payable monthly, at a rate of 18% per annum. UPI shall be granted a general security agreement from the Company in favour of UPI, constituting a lien on all of the present and future property of the Company. The final structure of the Proposed Transaction is subject to the receipt of tax, corporate and securities law advice for both UPI and the Company. Upon completion of the Proposed Transaction, the issuer resulting from the Proposed Transaction (the "**Resulting Issuer**") will carry on the business of the Company. Closing of the Proposed Transaction will be subject to a number conditions, including, without limitation: approval of the Proposed Transaction by the boards of directors of UPI and the Company; completion of satisfactory results from due diligence investigations for each of the parties; execution of a Definitive Agreement effecting the Proposed Transaction; receipt of all regulatory approvals with respect to the Proposed Transaction and the listing of the common shares of the resulting issuer on the Canadian Securities Exchange ("**CSE**"); and approval of the Proposed Transaction by the shareholders of the Company. There can be no assurance that all of the necessary regulatory and shareholder approvals will be obtained or that all conditions of closing will be met. The Proposed Transaction is at arm's length and is not subject to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. There are no non-arm's length parties of UPI that are insiders of the Company. Certain UPI Shares to be issued pursuant to the Proposed Transaction are expected to be subject to restrictions on resale or escrow under the policies of the CSE, including the securities to be issued to principals, which will be subject to the escrow requirements of the CSE.

On October 13, 2023, pursuant to a voluntary separation agreement ('Agreement") between the Company and Virginia Brailey, Chief Executive Officer, she resigned from her position to pursue other opportunities.

On October 13, 2023, Mr. Brandon Mina joined the Company, replacing Virginia Brailey as the Chief Executive Officer.

SCHEDULE “C”

Xemoto Media Ltd.

Management's Discussion and Analysis

For the Three and Nine Months Ended December 31, 2023

(Expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Xemoto Media Ltd. ("Xemoto", "we", or the "Company") is for the three and nine months ended December 31, 2023 ("Q3 2024"). It is supplemental to, and should be read in conjunction with, the unaudited financial statements of Xemoto for three and nine months ended December 31, 2023 (the "Q3 2024 Financial Statements"). The Q3 2024 Financial Statements and the financial information contained in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the IFRS Interpretations Committee. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. In preparing this MD&A, management has taken into account all information available up to March 27, 2024.

Unless otherwise indicated, all figures presented in this MD&A are expressed in Canadian Dollars ("$" or "CAD").

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities laws ("forward-looking statements"). All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often identified by words such as "may", "would", "could", "should", "will", "intend", "plan", "seek", anticipate", "believe", "estimate", "expect" or similar words and expressions. Examples of forward-looking statements include, among others, statements relating to information set out in this MD&A under the headings "Outlook and Strategy", "Working Capital and Liquidity Outlook", "Strategic Objectives" and statements and information regarding: future financial position and results of operations, strategies, plans, objectives, goals and targets; future developments in the markets where the Company participates or is seeking to participate; and, expectations for other economic, business, regulatory and/or competitive factors related to the Company or the Software-as-a-Service industry generally and other events or conditions that may occur in the future. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on management's current beliefs, expectations or assumptions regarding the future of the business, future plans and strategies, operational results and other future conditions of the Company. Although the Company believes that the expectations, estimates, and projections reflected in such forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance, or achievements to differ materially from those suggested by the forward-looking statements. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. On this basis, readers are cautioned not to place undue reliance on such forward-looking statements.

Factors which could cause actual results to differ materially from those indicated in forward-looking statements include, but are not limited to: general business, economic, competitive, political and social uncertainties, the actual results of current operations, industry conditions, research and development activities, intellectual property and other proprietary rights, as well as those other risks and uncertainties described in this MD&A under the heading "Financial Risks".

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this MD&A are made as of the date hereof and are presented for the purpose of assisting investors and others in understanding Xemoto's financial position and results of operations, as well as its objectives and strategic priorities, and may not be appropriate for other purposes. The Company undertakes no obligation to publicly update or revise any forward-looking statements or any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

Business Overview

Xemoto was incorporated under the *Business Corporations Act* (Ontario) on July 6, 2020, under the name "Untappedlabs Inc.". Effective May 14, 2021, the Company filed Articles of Amendment, and changed its name to Xemoto Media Ltd.

Xemoto is an influencer marketing software-as-a-service company focused on connecting businesses operating in highly regulated industries with their consumers. Using its core proprietary platform, Spectrum, and other technology focused means, Xemoto disseminates clients' marketing and advertising messaging, news releases, corporate presentations and other content that may appeal to businesses, individual consumers, and retail investors. Such messaging may be used by small and mid-sized influencers (often referred to as "micro-influencers") and financial influencers (often referred to as "finfluencers"), to develop content subsequently disseminated to their followers through a wide range of social media channels including, but not limited to, Facebook, Twitter, Instagram, and Tiktok. The Company's Spectrum platform facilitates overall client and influencer campaign management with a focus on investor, business-to-business and business-to-consumer communications. This is achieved via dynamic interaction between customers, influencers and their followers, including the coordination of messaging and content over a wide range of influencers, tracking of campaign progression, data collection and performance analytics of campaigns for clients, and facilitation of payment.

The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

Outlook and Strategy

Acquisition of Xemoto Media Ltd. By Universal PropTech Inc.

On September 18, 2023, the Company entered into the LOI with UPI with respect to the Proposed Transaction.

On October 31, 2023, the Company and UPI executed an amendment to the LOI whereby the parties agreed to enter into a Definitive Agreement on or before November 30, 2023. And on November 29, 2023, the Company and UPI executed a further amendment to the LOI whereby the parties agreed to enter into a Definitive Agreement on or before February 28, 2024.

On February 6, 2024, the Company, UPI, and 1000615911 Ontario Inc., a wholly-owned subsidiary of UPI, entered into an acquisition agreement detailing the terms and conditions of the change of business transaction between the Company and UPI (the "COB"). Pursuant to the COB, (i) holders of Common Shares will receive 0.225 of a UPI Share for each Common Share held; and (ii) all outstanding securities convertible into Common Shares shall be exchanged, based on the Exchange Ratio, for equivalent securities to purchase UPI Shares on substantially similar terms and conditions. The COB is expected to be completed on or about May 31, 2024, subject to the satisfaction or waiver of all applicable conditions. If the COB is completed, the Resulting Issuer will continue to carry on the business of the Company and will have its Common Shares listed on the Canadian Securities Exchange ("CSE"). There is no certainty that the COB will be completed by May 31, 2024 or at all.

The final structure of the Proposed Transaction is subject to the receipt of tax, corporate and securities law advice for both UPI and the Company. Upon completion of the Proposed Transaction, the issuer resulting from the Proposed Transaction (the "Resulting Issuer") will carry on the business of the Company. Closing of the Proposed Transaction will be subject to a number conditions, including, without limitation: approval of the Proposed Transaction by the boards of directors of UPI and the Company; completion of satisfactory results from due diligence investigations for each of the parties; execution of a Definitive Agreement effecting the Proposed Transaction; receipt of all regulatory approvals with respect to the Proposed Transaction and the listing of the common shares of the Resulting Issuer on the CSE; and approval of the Proposed Transaction by the shareholders of the Company. There can be no assurance that all of the necessary regulatory and shareholder approvals will be obtained, or that all conditions of closing will be met. The Proposed Transaction is at arm's length and is not subject to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. All insiders of the Company are arm's length parties of UPI. Certain UPI Shares to be issued pursuant to the Proposed Transaction are expected to be subject to restrictions on resale or escrow under the policies of the CSE, including the securities to be issued to principals, which will be subject to the escrow requirements of the CSE.

Business Objectives

Xemoto's management team is applying their extensive experience in digital marketing and technology to seize the unique opportunity to provide an end-to-end performance marketing solution for financial services brands and agency partners.

Xemoto's primary markets are the United States and Canada, where the Company leverages its unique software, deep regulatory knowledge, and a network of compliance-conscious influencers to assist its clients (brands and agency partners), and influencers themselves, in navigating the intricacies of influencer marketing within complex regulatory landscapes. The Company's broader vision, strategic approach, key milestones, and expansion plans are outlined below.

Industry and Market

The influencer marketing industry has experienced significant growth in recent years. In 2023, it is expected to be worth $21.2 Billion, up from $16.4 Billion in 2022 (Influencer Marketing Hub). This growth has led to the emergence of various trends and developments in the industry. 63% of people trust influencer insights more than what an organization says about itself (Edelman Trust Barometer). Instagram is the most popular platform for influencer marketing, with 79% of marketers using the platform for their campaigns (Influencer Marketing Hub). An emerging trend in the industry is the use of nano-influencers (influencers with fewer than 10,000 followers) as they tend have higher engagement rates and are more cost-effective for brands. Some other key trends in the influencer marketing industry include:

1. **Artificial Intelligence**: The use of artificial intelligence ("AI") is becoming more prevalent in influencer marketing, with brands and agencies leveraging AI-powered tools to improve their campaigns and better understand their target audiences (Influencer Marketing Hub 2023).
2. **Brands seeking ongoing partnerships**: Influencers are increasingly becoming long term partners for brands, rather than just one-time collaborators. Many brands have shifted their focus on building strong relationships with influencers and understanding their needs and preferences (Statista).
3. **Platform Diversity**: The industry is expanding beyond traditional platforms like Instagram and TikTok, with brands exploring new social media platforms like YouTube, LinkedIn and Pinterest along with various forms of content such as long form video podcasts and newsletters to engage with their always evolving target audience (eMarketer).
4. **Performance Based Brand Deals**: Brands are increasingly focused on performance-based marketing partnerships, where influencers are paid based on the results they achieve, such as the number of sales or engagements generated through their campaigns.
5. **Influencer-Driven Performance Marketing:** Brands are relying on influencers to drive performance marketing campaigns, leveraging their credibility and influence with their followers to achieve better results (Influencer Marketing Hub).
6. **Influencers turning into business owners:** Many influencers are transitioning from their influencer roles to starting their own businesses, creating new opportunities for collaboration and partnerships with brands (Later.com).

Continued growth is expected in the influencer marketing industry, with Dara Bridge Market Research predicting a market size of $84.89 Billion by 2028. As the industry matures, brands and agencies must adapt to these trends to stay competitive and effective in their influencer marketing efforts.

Short Term Strategy (6-12 Months): A Complete Performance Marketing Solution

Xemoto recognizes that the advertising technology landscape is constantly evolving and hence intends to pivot from a company that currently offers organic influencer campaigns, towards a complete performance marketing solution. This strategic shift will enable Xemoto to offer its customers a more comprehensive suite of services, including data-driven targeting, and measurement and optimization capabilities of its marketing campaigns. This involves using various tools and technologies to track key performance indicators such as engagement rates, click-through rates and conversion rates. By leveraging the full power of performance marketing, the Company aims to enhance return on investment for its clients and help them achieve their business objectives more effectively.

Long Term Strategy (12+ Months): Addressing Fraud, Waste and Abuse ("FWA") in Digital Advertising

Digital advertising faces persistent challenges related to FWA, which erodes consumer trust and directly impacts advertisers' return on investment on advertising dollars spent. Xemoto's long term strategy involves developing cutting-edge technology solutions to tackle these issues. The Company is committed to implementing advanced fraud detection technologies, optimizing ad spend efficiency and collaborating with industry stakeholders to foster a healthier digital advertising ecosystem by providing advertisers with transparent and compliant advertising processes. By leveraging cutting-edge technology and deep industry knowledge, the Company expects to continue to evolve the services and solutions it offers by providing thought leadership, blueprints, frameworks and technical accelerators to assist clients in their evolving marketing needs.

Key Milestones

Rebranding: The Company's rebranding project is part of a strategic shift from data-driven influencer marketing towards providing a more complete performance marketing solution reflecting the Company's commitment to innovation and effectiveness. The Company began this project in October 2023 and is aiming to complete its rebranding by the end of May 2024.

Programmatic Integration: The seamless integration of programmatic advertising (i.e., the use of automated technology to buy and sell digital ads, serving relevant impressions to users based on data insights and algorithms) into the Company's existing services will empower advertisers with precise and efficient audience targeting, enhancing the overall effectiveness of their campaigns. The Company is aiming to complete this integration by the end of June 2024.

Custom 360 Degree Campaign Reporting: An upgraded custom campaign reporting dashboard will provide clients with enhanced transparency and the tools they need to monitor and optimize their campaigns with precision, ensuring higher impact. The Company is aiming to complete this dashboard by the end of June 2024.

Social Media Management & Automation Platform: The development of a social media management platform will offer clients a comprehensive solution for efficiently managing and optimizing their social media framework, ensuring a strong and consistent online presence. The Company has deployed this product ahead of schedule and onboarded its first client in March 2024.

Custom Mobile and Web Application: The development of a custom mobile and web application will simplify campaign management and optimization for Xemoto's clients, empowering them to further streamline their advertising efforts. The Company has completed this milestone, and the first clients were onboarded in March 2024.

FWA Product Roadmap: Xemoto is developing a comprehensive product roadmap focused on addressing critical issues in digital advertising, particularly FWA, in order to create a safer and more efficient advertising ecosystem, safeguarding clients' investments and enhancing their advertising experience. The Company is aiming to complete this product roadmap by the end of August 2024.

Leaders across the digital marketing landscape are continually seeking new avenues to evolve their strategic and operational marketing models. They leverage technology and real-time data to enhance marketing operations and deliver attributable return-on-investment. Xemoto's expansion into performance marketing is aimed at adapting to the evolving needs of its clients while maintaining the quality and service standards of its current offerings.

Corporate Developments

Business Development and Growth Updates

Since commercial launch in 2023, the Company has significantly enhanced their product. An influencer search and list building tool has been added to the Spectrum platform along with the ability to run campaigns with integrations for both WooCommerce and Shopify – the internet's two largest ecommerce software solutions. A social listening and affiliate tracking tool has also been added to the platform to add further value for brands and influencers alike.

The Company has also ensured consistent influencer compliance and quality control, continually updating its influencer pool to ensure brand safe influencer marketing for its clients. Ongoing product enhancements to the Spectrum platform were also made with respect to campaign progression tracking for clients, post-campaign performance analytics, and ease of onboarding for both clients and influencers.

Financings

Private Placements

On June 8, 2023, the Company closed a non-brokered private placement (the "Tranche 1, 2023") through the issuance of 45,055,001 Common Shares at a price of $0.01 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 promissory notes ("Notes") from various parties that had all previously advanced cash consideration in the form of such Notes. In connection with Tranche 1, 2023, 3,604,400 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 Foundation Markets Inc. ("FMI") dated June 8, 2023.

On July 4, 2023, the Company closed a non-brokered private placement (the "Tranche 2, 2023") through the issuance of 8,900,000 Common Shares at a price of $0.01 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, 712,000 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.

On November 16, 2023, the Company closed a non-brokered private placement (the "Tranche 3, 2023") through the issuance of 15,750,000 Common Shares at a price of $0.01 per Common Share, for gross proceeds of $157,500. In connection with Tranche 3, 2023 Offering, 1,260,000 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.

Share issuance for salary, services and debt settlement

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 285,600 Common Shares at a deemed issue price of $0.05 per Common Share, resulting in a gain on settlement of $3,256.

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 255,399 Common Shares at a deemed issue price of $0.01 per Common Share, resulting in a gain on settlement of $2,911.

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 113,274 Common Shares at a deemed issue price of $0.01 per Common Share, resulting in a gain on settlement of $1,291.

On May 22, 2023, the Company settled an amount of $29,711 comprised of certain outstanding fees for services provided pursuant to an advisory agreement dated February 28, 2023 between the Company and FMI Capital Advisory Inc. ("FMICAI"), an entity where the Executive Chairman of the Company is also the Chairman, through the issuance of 2,971,112 Common Shares at a deemed issue price of $0.01 per Common Share, resulting in a loss on settlement of $84,974.

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 2,720,000 Common Shares at a deemed issue price of $0.01 per Common Share, resulting in a loss on settlement on $77,791.

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 2,660,000 Common Shares at a deemed issue price of $0.01 per Common Share, resulting in a gain on settlement of $30,324.

On May 22, 2023, the Company issued 760,716 Common Shares to certain Note holders of the Company at a deemed issue price of $0.01 per Common Share (resulting in a loss on settlement of $21,756), as bonus shares for bridging the financial needs of the Company.

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 10,000,000 Common Shares at a deemed issue price of $0.01 per Common Share.

On June 9, 2023, the Company issued 427,531 Common Shares to the former CEO in connection with temporary salary reduction at a deemed issue price of $0.01 per Common Share, resulting in a gain on settlement of $9,975.

On June 9, 2023, the Company issued 320,357 bonus shares to certain former executives in connection with bridging the Company's financial needs at a deemed issue price of $0.01 per Common Share.

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 1,000,000 Common Share at a deemed issue price of $0.01 per Common Share. There was no gain or loss on this settlement.

On October 13, 2023, pursuant to a voluntary separation agreement ("CEO Agreement") between the Company and its previous CEO, the Company issued 2,000,000 Common Shares to the previous CEO at a deemed issue price of $0.01 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 or (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 previous CEO's 900,000 restricted share units of the Company ("RSUs") were completely vested and converted to Common Shares as part of the CEO Agreement.

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 400,000 Common Shares at a deemed issue price of $0.01 per Common Share. There was no gain or loss on this settlement.

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 1,710,000 Common Shares at a deemed issue price of $0.01 per Common Share. There was no gain or loss on this settlement.

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 700,000 Common Shares at a deemed issue price of $0.01 per Common Share. There was no gain or loss on this settlement.

Promissory Notes

During the nine-month period ended December 31, 2023, the Company issued Notes totaling $182,000 to certain directors, each bearing an interest rate of 8% per year compounded annually and payable on demand.

(Expressed in Canadian Dollars)

Issuance Date	Recipient's Relationship to the Company	Principal Amount
April 11, 2023	Director	20,000
April 11, 2023	Executive	20,000
April 24, 2023	Director	12,500
April 24, 2023	Executive	12,500
May 8, 2023	Executive	40,000
May 10, 2023	Director	40,000
May 24, 2023	Executive	5,000
May 25, 2023	Director	5,000
June 9, 2023	Director	12,000
June 9, 2023	Director	15,000
TOTAL		**$182,000**

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. As at December 31, 2023, the notes payable balance was $67,000 (March 31, 2023 – $280,500). Accrued interest on the Notes of $13,212 (March 31, 2023 – $9,351) was included in accounts payable and accrued liabilities.

Other Issuance of Shares and Convertible Securities

On May 22, 2023, the Company granted 1,400,000 RSU to directors and officers of which 490,000 vested on the first anniversary of grant and 455,000 are vested on each of the second and third anniversaries of grant, respectively.

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 the maturity 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 until the close of the third business day prior to the maturity date, at a conversion price of $0.025 (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 $0.075 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.

On October 13, 2023, the Company granted 5,000,000 stock options to an executive. 1/3 of the options have an exercise price of $0.02 per Common Share, 1/3 of the options have an exercise price of $0.035 per Common Share and 1/3 of the options have an exercise price of $0.04 per Common Share. The options vest 1/4 on April 13, 2024, 1/4 on October 13, 2024, 1/4 on April 13, 2025 and 1/3 vest on October 13, 2025 until all options are fully vested.

Financial Condition and Results of Operations for the three and nine months ended December 31, 2023

Overall Performance and Outlook

The following table summarizes the Company's recent results of operations as of the dates below and for the periods indicated below. This information should be read together with the Company's financial statements.

	Three months ended December 31, 2023	Three months ended December 31, 2022	Nine months ended December 31, 2023	Nine months ended December 31, 2022
	$	$	$	$
Revenue	134,990	74,965	458,394	152.468
Gross profit	56,675	28,695	213,838	58,745

(Expressed in Canadian Dollars)

Loss from operations	(550,316)	(409,283)	(1,250,797)	(1,446,549)
Net loss and comprehensive loss for the period	(462,922)	(297,743)	(1,321,862)	(1,341,519)
Total assets	210,537	185,066	210,537	185,066
Total non-current liabilities	289,167	60,000	289,167	60,000
Net decrease in cash during the period	64,422	(428,304)	64,422	(428,304)
Cash - end of period	107,297	37,992	107,297	37,992

Revenue and Gross Profit

For the three and nine months ended December 31, 2023, the Company recorded total sales revenue of $134,990 and $458,394, respectively (December 31, 2022 – $74,965 and $152,468) from services provided to customers. Revenue increased due to the initial commercial launch of the Company's product in May 2023 and corresponding increase in sales initiatives. The Company also incurred cost of sales of $78,315 and $244,556 for the three and nine months ended (December 31, 2022 – $46,270 and $93,723), contributing to a gross profit of $56,675 and $213,838 for the same periods (December 31, 2022 –$28,695 and $58,745). Cost of sales is primarily comprised of payments to influencers for their services. The increase in costs of sales and gross profit are the result of the increase in revenue and number of campaigns launched.

For further narrative information with respect to revenue growth for the three and nine months ended December 31, 2023, please see "Corporate Developments – *Business Development and Growth*" above.

Revenue segmentation for the nine months ended December 31, 2023:

Industries Serviced	**Revenue**	**% of Total**
Mining and Natural Resources	$190,924	41.6%
Financial Services	$90,504	19.8%
Healthcare	$55,691	12.2%
Software and Technology	$49,991	10.9%
Digital Marketing and Communications	$10,731	2.3%
Telecommunication	$25,491	5.6%
Cleantech and Renewables	$9,200	2.0%
Other	$25,862	5.6%
Total	**$458,394**	**100%**

Note: Industries Serviced represents the Industry of the end client utilizing the Company's influencer marketing platform to disseminate content.

Sales Channels	**Revenue**	**% of Total**
Direct(1)	$156,995	34.2%
Agency(2)	$301,399	65.8%
Total	**$458,394**	**100%**

(1) Direct sales entail selling Xemoto's offerings to the end client who disseminates their content through the Spectrum platform, either as standalone influencer marketing campaign(s) or as part of the client's longer-term marketing strategy.
(2) Agency sales entail selling Xemoto's offerings to investor relations and public relations agencies, which offer the Spectrum platform to their end clients in order to integrate influencer marketing with their broader marketing campaigns.

Regions	**Revenue**	**% of Total**
Canada	$190,340	41.5%
United States	$207,929	45.3%

(Expressed in Canadian Dollars)

International	$ 60,125	13.2%
Total	**$459,394**	**100%**

Note: Regions represents the region of the end client utilizing the Company's influencer marketing platform to disseminate content.

Operating Expenses

For the three and nine months ended December 31, 2023, the Company incurred total operating expenses of $606,990 and $1,464,635, as compared to total operating expenses of $437,978 and $1,505,294 for the comparative periods ended December 31, 2022. The breakdown and change of the operating expenses are detailed below.

	Three Months ended December 31,			**Nine months ended December 31,**		
	2023	2022	change	**2023**	2022	change
	$	$	$	**$**	$	$
Expenses						
Management salaries and consulting fees	**271,592**	322,954	(51,362)	**774,687**	1,010,423	(235,736)
Professional fees	**218,552**	58,578	159,974	**462,362**	160,015	302,347
Share-based compensation	**22,361**	20,671	1,690	**55,437**	72,665	(17,228)
Research and development	**7,054**	4,946	2,108	**20,097**	140,943	(120,846)
Office and general	**45,688**	18,274	27,414	**75,287**	49,148	26,139
Marketing and advertising	**30,310**	5,347	24,963	**48,787**	46,763	2,024
Amortization	**6,333**	6,335	(2)	**19,000**	18,575	425
Travel, and meals & entertainment	**5,100**	873	4227	**8,978**	6,762	2,216
	606,990	437,978	169,012	**1,464,635**	1,505,294	(40,659)

- A decrease in salaries and consulting fees for the three and nine months ended December 31, 2023 compared to 2022 is due to streamlining of operations as management continued to optimize the business;

- There was an increase in professional fees for the three and nine months ended December 31, 2023 compared to 2022 as significant expenses were incurred due to growth, new hirings, pursuit of listing on a stock exchange and other restructuring which occurred during the current year;

- Share based compensation is a non-cash expense is dependent on the number of options or RSUs granted during a period, their value on the date of grant and the timing of their vesting. The Company has a stock option and RSU plan and issues these share based rewards as part of compensation for officers, directors and consultants;

- A decrease in research and development cost for the nine months ended December 31, 2023 compared to 2022, reflects the reduced need for research and development activities following the completion of software development necessary for launch of Xemoto's product, and entry into the product's operational period. These costs comprised of software development, testing and subscription costs. During the three months ended December 31, 2023 and 2022 a small amount was spent on software development;

- Marketing and advertising expenses increased into third quarter due a promotional campaign. Management reallocated marketing spending to more efficient activities to promote the Company, as part of its growth strategy.

Net and Comprehensive Loss

For the three and nine months ended December 31, 2023, the Company also incurred other expenses of $18,319 and $176,778 (December 31, 2022 – $3,343 and $9,853). This increase in other expenses for the nine months period is primarily due to a $136,764 loss on debt settlement (December 31, 2022 – gain of $3,116). Other components include interest and accretion expense and foreign exchange loss. The increase in other expenses for the three month period is due to an increase in interest and accretion expense resulting from an increase in loans.

For the three and nine months ended December 31, 2023, the Company had a SRED refund in the amount of $105,712 related to the March 31, 2023 fiscal year, compared with $114,884 for the three and nine months ended December 31, 2022.

As a result, the Company recorded a net loss and comprehensive loss of $462,922 and $1,321,862, for the three and nine months ended December 31, 2023, respectively, compared to a net loss and comprehensive loss of $297,743 and $1,341,519 for the three and nine months ended December 31, 2022.

Cash flows

Net cash used in operating activities for the nine months ended December 31, 2023 was $881,387, as compared to net cash used in operating activities of $1,107,995 in the comparative period, for a decrease of $226,608, mainly due an increase in gross profit and reduction in overall operating expenses.

Net cash provided by financing activities for the nine months ended December 31, 2023 was $945,809 compared to $706,209 in 2022. In the nine months ended December 31, 2023, Company completed private placements and raised gross proceeds of $323,809, drew down the remaining BDC loan of $125,000 (resulting in total owing to BDC of $250,000), proceeds from promissory notes from related parties of $182,000, proceeds from a convertible debenture financing of $100,000 and a loan advance from UPI.

Net cash used by investing activities during the three months ended December 31, 2023 was $Nil (December 31, 2022 - $4,459 for the purchase of equipment). As at December 31, 2023, the Company has cash of $107,296.

Working Capital and Liquidity Outlook

The Company manages its capital structure and adjusts it based on the funds available to the Company to support the development of its planned business activities. The board of directors of the Company ("Board") does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. To carry out the planned business activities and pay for administrative costs, the Company spends its existing working capital and raises additional funds as needed.

As at December 31, 2023, the Company had a working capital deficiency of $1,114,256 (March 31, 2023 – working capital deficiency of $1,278,303). The Company's 2023 monthly cash burn rate on average, which was calculated as cash spent per month in operating activities, was approximately $98,000. The Company expects to operate at a loss for at least the next 12 months and will rely on raising adequate capital to fund core business operations, development and growth. Management plans to remedy this working capital deficiency by (a) raising additional adequate capital in the form of equity, debt or convertible instruments (b) executing debt settlements with creditors, when applicable, to convert any short-term liabilities to equity and (c) improving the financial performance of the business in the form of both revenue growth and cost optimization. Management has historically executed such capital raises, debt settlements with creditors and financial performance improvements of the business, successfully. There can be no assurance that additional financing will be available or that, if available, will be on terms favourable or acceptable to the Company.

When managing capital, the Company's objective 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.

(Expressed in Canadian Dollars)

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, 2023, and 2022.

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

For more information with respect to trends or expected fluctuations in the Company's liquidity please see "Liquidity Risks".

Quarterly Financial Results

	Q3 2024	Q2 2024	Q1 2024	Q4 2023
	$	$	$	$
Sales revenue	134,990	159,560	163,844	165,917
Gross profit (loss)	56,675	80,773	76,390	95,680
Operating expenses	606,990	358,417	499,227	612,524
Net loss and comprehensive loss	(462,922)	(386,073)	(472,866)	(530,348)
Total assets	210,537	452,509	350,717	123,681
Accumulated (deficit)	(5,807,892)	(5,222,700)	(4,915,910)	(4,486,030)

	Q3 2023	Q2 2023	Q1 2023	Q4 2022
	$	$	$	$
Sales revenue	74,965	29,425	45,865	25,511
Gross profit (loss)	56,675	(16,766)	22,049	923
Operating expenses	437,978	448,507	618,809	1,593,029
Net loss and comprehensive loss	(297,743)	(469,558)	(598,985)	(1,632,439)
Total assets	185,067	176,894	160,941	596,244
Shareholders' equity (deficit)	(3,778,177)	(3,487,311)	(3,025,495)	(2,492,511)

Note: *The financial data for the above noted periods were prepared in accordance with IFRS.*

Quarterly sales were positively impacted by the initial commercial launch of the Company's product in May 2023, thereby increasing sales subsequent to the launch. This launch had the same impact on the gross profit in the same quarters. There is currently no seasonality to the Company's business.

Related Party Transactions

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

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

	December 31, 2023	December 31, 2022
	$	$
Management salaries and consulting fees	**272,962**	198,816
Professional fees	**323,347**	211,235
Marketing and advertising	**-**	5,500
Share-based compensation	**49,201**	40,568
	645,510	456,119

Salaries and consulting fees

(a) Remuneration of key management personnel of the Company for the nine months ended December 31, 2023 included $272,962 (December 31, 2023 – $142,500 for the Chief Executive Officer ("CEO"). As of December 31, 2023, $Nil (March 31, 2023 – $147,251) owing to CEO was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

On September 12, 2022, the 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.

(b) For the nine months ended December 31, 2023, renumeration of $nil (December 31, 2022 – $26,631) had been recorded for the services by a former director who resigned on June 15, 2022. As at December 31, 2023 and March 31, 2023, no balance was outstanding.

(c) For nine months ended December 31, 2023, Black Oak, an entity where an executive of the Company is the principal, provided consulting services to the Company resigned on November 1, 2021. The management salaries and consulting fees for the comparable period ending December 31, 2022, were $56,316. As at December 31, 2023, $119,530 (March 31, 2023 – $135,227) owing to Black Oak was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Professional fees

(d) For the nine months ended December 31, 2023, FMI Capital Advisory Inc. ("FMICAI"), an entity where the Executive Chairman and a director of the Company is also the Chairman, charged fees of $45,000 (December 31, 2022 – $25,000), for financial advisory and other services provided to the Company. As at December 31, 2023, $204,729 (December 31, 2022 – $93,311) 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.

(e) For the nine months ended December 31, 2023, Fogler, Rubinoff LLP ("Fogler"), an entity where the same director is a partner, charged fees of $157,222 (December 31, 2022 – $46,265), for legal services provided to the Company. As at December 31, 2023, $148,810 (December 31, 2022 – $47,243) 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, 2023, Branson Corporate Services Ltd. ("Branson"), an entity where the former Chief Financial Officer ("CFO") of the Company was employed, and the Executive Chairman of the Company held a 39% direct and indirect interest in, charged fees of $98,000 (December 31, 2022 – $52,500), for providing CFO services to the Company, as well as other accounting and administrative services. As at December 31, 2023, $8,475 (December 31, 2022 – $16,978) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

(g) On January 1, 2023, Xemoto and 2763168 Ontario Inc. ("2763168 Ontario"), an entity where a director of the Company is the principal, entered into a consulting agreement, for a monthly remuneration of $5,000 in consideration of the Executive Vice President of Finance services to be provided to the Company. During the nine months ended December 31, 2023, the Executive Vice President of Finance, charged fees of $23,125 (December 31, 2022 – $Nil). As at December 31, 2023, $4,125 (December 31, 2022 – $Nil) owing to 2763168 Ontario was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

(h) For the nine months ended December 31, 2023, Right Path Advisory ("Right Path"), an entity where the former Senior Vice President of the Company was employed, charged fees of $nil (December 31, 2022 – $60,840). As at December 31, 2023, $nil (March 31, 2023 – $3,593) owing to Right Path was included in accounts payable and accrued liabilities. The amount outstanding was unsecured, non-interest bearing and due on demand.

Share based compensation

(i) For the nine months ended December 31, 2023, 5,000,000 options granted and 1,400,000 RSUs (December 31, 2022 – 900,000) respectives, were granted to directors, officers and consultants. Total fair value recorded (for related parties) for options and RSUs vested for the nine months ended December 31, 2023, were $49,202 (December 31, 2022 – $40,568).

(Expressed in Canadian Dollars)

Other related party transactions

(j) For the nine months ended December 31, 2023, Unite Communications. ("Unite"), an entity where one of the directors of the Company is also a director, recorded sales revenue of $25,491 (December 31, 2022 – $4,600, for business operations related purchases for the Company. As at December 31, 2023, no balance (March 31, 2023 – $nil) due from Unite was included in accounts receivable.

(j) During the nine months ended December 31, 2023, the Company issued $182,000 of Notes to certain executives and directors, each bearing interest at a rate of 8% per year compounded annually and payable on demand as follows:

Issuance Date	Recipient's Relationship to the Company	Principal Amount
April 11, 2023	Director	20,000
April 11, 2023	Executive	20,000
April 24, 2023	Director	12,500
April 24, 2023	Executive	12,500
May 8, 2023	Executive	40,000
May 10, 2023	Director	40,000
May 24, 2023	Executive	5,000
May 25, 2023	Director	5,000
June 1, 2023	Director	12,000
June 1, 2023	Director	15,000
TOTAL		**182,000**

On June 8, 2023, $368,500 of the Notes and $4,741 of accrued interest were converted into shares at $0.01 per share.

(k) For the nine months ended December 31, 2023, EXT Marketing Inc. ("EXT Marketing"), an entity where one of the directors of the Company is also a director, charged fees of $nil (December 31, 2022 – $5,500) for marketing services provided to the Company. As at December 31, 2023, no balance (March 31, 2023 – $nil) was owing to EXT Marketing.

(l) For the nine months ended December 31, 2022, FMI, an affiliated entity of FMICAI where the Executive Chairman and a director of the Company is also the Chairman, charged finders' fees of $37,600 and $4,000 in connection with the July 2022 and January 2023 Offering respectively. No such fees were charged during the nine months ended December 31, 2023. As at December 31, 2023, $4,000 (March 31, 2023– $4,000) owing to FMI was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

(m) See also note 10 to the Q3 2024 Financial Statements, for shares issued for related parties.

Financial Risks

The Company is exposed to various risks as they related 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 borrower default on maturity of the instruments. 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.

(Expressed in Canadian Dollars)

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 to a digital marketing business model at a time 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, 2023, the Company had a cash balance of $107,297 (March 31, 2023 – $42,874) to settle current liabilities of $1,273,289 (March 31, 2023 – $1,331,480), and had the following contractual undiscounted obligations:

	Carrying amount	Year 1	Year 2 to 3	Over 3 years
Accounts payable and accrued liabilities	813,667	813,667	-	-
Notes payable	67,000	67,000	-	-
UPI loan	250,000	250,000	-	-
BDC loan	250,000	48,740	83,280	117,980
Convertible Debenture	87,907	-	87,907	-
Total	**1,468,574**	**1,179,407**	**171,187**	**117,980**

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecasts 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.

Management believes that the Company needs to raise additional funds 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, 2023. Nevertheless, management understands that it will have to raise more funds in order to support its operations going forward.

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, 2023, the Company had no financial instruments which are 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 may have, from time to time, transactions denominated in foreign currencies. The Company's primary exposure to foreign exchange risk is that transactions denominated in foreign currency may expose the Company to the risk of exchange rate fluctuations. Based on its current operations, 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, 2023, the Company did not have any financial instruments which were carried at fair value (March 31, 2023 – $Nil).

Off Balance Sheet Arrangements

As at December 31, 2023 and as at the date of this MD&A, the Company does not have any off-balance sheet arrangements that have a material impact on the Statements of Financial Position.

Events Subsequent to December 31, 2023

Financings – Promissory Notes

(a) Subsequent to December 31, 2023, the Company issued $110,000 of Notes to certain directors (or corporations owned by directors), bearing interest at 8% per year compounded annually and payable on demand and $55,000 of Notes bearing interest at 12% per year compounded annually and payable on demand.

Other Issuances of Common Shares and Convertible Securities

(b) On January 12, 2024, the Company granted 4,000,000 options to five of the directors and officers. All vested immediately at an exercise price of $0.01125 per Common Share. In addition, 3,990,000 options were granted to the directors of the Company. All vested 12 months from date of grant at an exercise price of $0.01125 per Common Share. Furthermore, on the same date, 2,000,000 options were granted to four employees and consultants with one-third (1/3) vesting immediately, one-third (1/3) vesting in 12 months, and one-third (1/3) in 24 months; each at an exercise price of $0.01125 per Common Shares.

(c) On January 12, 2024, the Company settled an amount of $40,000 comprised of certain outstanding fees for services provided by certain directors of the Company through the issuance of 4,000,000 Common Shares to same at a price of $0.01 per Common Share.

(d) 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) a $1,176 principal amount senior secured convertible debentures and (ii) 100,000 common share purchase warrants of the Company. 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.

The principal amount of each debenture is convertible into Common Shares at a conversion price of $0.01 per Common Share at the option of the holder at any time.

(Expressed in Canadian Dollars)

Each common share purchase warrant of the Company 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 $0.015 per Common Share.

Directors, Officers and Key Management

(e) On January 9, 2024, Mr. Taif Ahmed resigned as Interim-Chief Financial Officer and Executive Vice President of Finance of the Company. On the same day, Mr. Kyle Appleby was appointed as Interim-Chief Financial Officer and Executive Vice President of Finance of the Company.

(f) On January 9, 2024, the Company and CFO Advantage Inc., an entity where Mr. Kyle Appleby is the principal, entered into a consulting agreement whereby Mr. Appleby, though CFO Advantage Inc. will provide the services of Chief Financial Officer of the Company for a monthly remuneration.

Others

(g) On January 16, 2024, the Company received a letter from Black Oak, an entity where the former President of the Company is the principal, demanding for repayment of outstanding consulting fees in the amount of $119,530.

(h) On January 23, 2024, the Company received a Statement of Claim from Black Oak, an entity where the former President of the Company is the principal, for repayment of $119,530 for breach of contract. This amount is recorded in the financial statements as at December 31, 2023 and for the year ended March 31, 2023 as accounts payable. Provision for any potential additional interest and legal costs is not recorded as provision considering the amount is not determinable at the time of preparing the financial statements.

Additional Disclosure for Venture Issuers without Significant Revenue

Please refer to "Financial Condition and Results of Operations - *Results of operations*" and "Related Party Transactions".

Disclosure of Outstanding Share Data as of March 27, 2024

The following table details the share capital structure as of the date of this MD&A:

Security Type	Authorized Amount as at March 27, 2024	Amount Outstanding as at March 27, 2024
Common Shares	Unlimited	155,201,409
Warrants	Unlimited	55,978,123
Broker Warrants	Unlimited	2,119,200
Options	20% of the Common Shares issued and outstanding from time to time	18,590,000 (1)
RSUs	10% of the Common Shares issued and outstanding	1,400,000
Convertible Debentures	n/a	CAD $400,000

Notes:
(1) 4,050,000 of these Options are vested and exercisable to acquire Common Shares.

Significant Accounting Judgments and Estimates

The preparation of the Company's 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. These are described in greater detail in Note 2(c) to the Q3 2024 Financial Statements.

Summary of Significant Accounting Policies

The significant accounting policies used by the Company are described in greater detail in Note 3 to the audited financing statement for the years ended March 31, 2023 and 2022.

Disclosure of Internal Controls over Financial Reporting

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements; and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. In contrast to non-venture issuers this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this MD&A. The Company's Q3 2024 Financial Statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the Q3 2024 Financial Statements in all material aspects.

Approval

The Board of the Company has reviewed the Q3 2024 Financial Statements and the disclosures contained in this MD&A.

March 27, 2024

Brandon Mina
Chief Executive Officer

Xemoto Media Ltd.

Management's Discussion and Analysis

For the Year Ended March 31, 2023

(Expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Xemoto Media Ltd. ("Xemoto", "we", or the "Company") is for the year ended March 31, 2023 ("Fiscal 2023"). It is supplemental to, and should be read in conjunction with, the audited financial statements of Xemoto Fiscal 2023 (the "2023 Financial Statements"). The 2023 Financial Statements and the financial information contained in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the IFRS Interpretations Committee. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. In preparing this MD&A, management has taken into account all information available up to February 6, 2024.

Unless otherwise indicated, all figures presented in this MD&A are expressed in Canadian Dollars ("$" or "CAD").

Business Overview

Xemoto Media Ltd. ("Xemoto" or the "Company" formerly known as Untappedlabs Inc.) was incorporated under the *Business Corporations Act* (Ontario) on July 6, 2020, under the name "Untappedlabs Inc.". Effective May 14, 2021, the Company filed Articles of Amendment, and changed its name to Xemoto Media Ltd.

Xemoto is an influencer marketing software-as-a-service company focused on connecting businesses operating in highly regulated industries with their consumers. Using its core proprietary platform, Spectrum, and other technology focused means, Xemoto disseminates clients' marketing and advertising messaging, news releases, corporate presentations and other content that may appeal to businesses, individual consumers, and retail investors. Such messaging may be used by small and mid-sized influencers (often referred to as "micro-influencers") and financial influencers (often referred to as "finfluencers"), to develop content subsequently disseminated to their followers through a wide range of social media channels including, but not limited to, Facebook, Twitter, Instagram, and Tiktok. The Company's Spectrum platform facilitates overall client and influencer campaign management with a focus on investor, business-to-business ("B2B") and business-to-consumer ("B2C") communications. This is achieved via dynamic interaction between customers, influencers and their followers, including the coordination of messaging and content over a wide range of influencers, tracking of campaign progression, data collection and performance analytics of campaigns for clients, and facilitation of payment.

The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

Outlook and Strategy

Business Objectives

Xemoto's management team is applying their extensive experience in digital marketing and technology to seize the unique opportunity to provide an end-to-end performance marketing solution for financial services brands and agency partners.

Xemoto's primary markets are the United States and Canada, where the Company leverages its unique software, deep regulatory knowledge, and a network of compliance-conscious influencers to assist its clients (brands and agency partners), and influencers themselves, in navigating the intricacies of influencer marketing within complex regulatory landscapes. The Company's broader vision, strategic approach, key milestones, and expansion plans are outlined below.

Industry and Market

The influencer marketing industry has experienced significant growth in recent years. In 2023, it is expected to be worth $21.2 Billion, up from $16.4 Billion in 2022 (Influencer Marketing Hub). This growth has led to the emergence of various trends and developments in the industry. 63% of people trust influencer insights more than what an organization says about itself (Edelman Trust Barometer). Instagram is the most popular platform for influencer marketing, with 79% of marketers using the platform for their campaigns (Influencer Marketing Hub). An emerging trend in the industry is the use of nano-influencers (influencers with fewer than 10,000 followers) as they tend have higher engagement rates and are more cost-effective for brands. Some other key trends in the influencer marketing industry include:

1. **Artificial Intelligence**: The use of artificial intelligence ("AI") is becoming more prevalent in influencer marketing, with brands and agencies leveraging AI-powered tools to improve their campaigns and better understand their target audiences (Influencer Marketing Hub 2023).

2. **Brands seeking ongoing partnerships**: Influencers are increasingly becoming long term partners for brands, rather than just one-time collaborators. Many brands have shifted their focus on building strong relationships with influencers and understanding their needs and preferences (Statista).

3. **Platform Diversity**: The industry is expanding beyond traditional platforms like Instagram and TikTok, with brands exploring new social media platforms like YouTube, LinkedIn and Pinterest along with various forms of content such as long form video podcasts and newsletters to engage with their always evolving target audience (eMarketer).

4. **Performance Based Brand Deals**: Brands are increasingly focused on performance-based marketing partnerships, where influencers are paid based on the results they achieve, such as the number of sales or engagements generated through their campaigns.

5. **Influencer-Driven Performance Marketing:** Brands are relying on influencers to drive performance marketing campaigns, leveraging their credibility and influence with their followers to achieve better results (Influencer Marketing Hub).

6. **Influencers turning into business owners:** Many influencers are transitioning from their influencer roles to starting their own businesses, creating new opportunities for collaboration and partnerships with brands (Later.com).

Continued growth is expected in the influencer marketing industry, with Dara Bridge Market Research predicting a market size of $84.89 Billion by 2028. As the industry matures, brands and agencies must adapt to these trends to stay competitive and effective in their influencer marketing efforts.

Short Term Strategy (6-12 Months): A Complete Performance Marketing Solution

Xemoto recognizes that the advertising technology landscape is constantly evolving and hence intends to pivot from a company that currently offers organic influencer campaigns, towards a complete performance marketing solution. This strategic shift will enable Xemoto to offer its customers a more comprehensive suite of services, including data-driven targeting, and measurement and optimization capabilities of its marketing campaigns. This involves using various tools and technologies to track key performance indicators such as engagement rates, click-through rates and conversion rates. By leveraging the full power of performance marketing, the Company aims to enhance return on investment for its clients and help them achieve their business objectives more effectively.

Long Term Strategy (12+ Months): Addressing Fraud, Waste and Abuse ("FWA") in Digital Advertising

Digital advertising faces persistent challenges related to FWA, which erodes consumer trust and directly impacts advertisers' return on investment on advertising dollars spent. Xemoto's long term strategy involves developing cutting-edge technology solutions to tackle these issues. The Company is committed to implementing advanced fraud detection technologies, optimizing ad spend efficiency and collaborating with industry stakeholders to foster a healthier digital advertising ecosystem by providing advertisers with transparent and compliant advertising processes. By leveraging cutting-edge technology and deep industry knowledge, the Company expects to continue to evolve the services and solutions it offers by providing thought leadership, blueprints, frameworks and technical accelerators to assist clients in their evolving marketing needs.

Key Milestones

Rebranding: The Company's rebranding project is part of a strategic shift from data-driven influencer marketing towards providing a more complete performance marketing solution reflecting the Company's commitment to innovation and effectiveness. The Company is aiming to complete its rebranding by the first quarter of 2024.

Programmatic Integration: The seamless integration of programmatic advertising (i.e., the use of automated technology to buy and sell digital ads, serving relevant impressions to users based on data insights and algorithms) into the Company’s existing services will empower advertisers with precise and efficient audience targeting, enhancing the overall effectiveness of their campaigns. The Company is aiming to complete this integration by the second quarter of 2024.

Custom 360 Degree Campaign Reporting: An upgraded custom campaign reporting dashboard will provide clients with enhanced transparency and the tools they need to monitor and optimize their campaigns with precision, ensuring higher impact. The Company is aiming to complete this dashboard by the third quarter of 2024.

Social Media Management & Automation Platform: The development of a social media management platform will offer clients a comprehensive solution for efficiently managing and optimizing their social media framework, ensuring a strong and consistent online presence. The Company is aiming to complete this platform by the second quarter of 2024.

Custom Mobile and Web Application: The development of a custom mobile and web application will simplify campaign management and optimization for Xemoto's clients, empowering them to further streamline their advertising efforts. The Company is aiming to complete this web application by the first quarter of 2024.

FWA Product Roadmap: Xemoto is developing a comprehensive product roadmap focused on addressing critical issues in digital advertising, particularly FWA, in order to create a safer and more efficient advertising ecosystem, safeguarding clients' investments and enhancing their advertising experience. The Company is aiming to complete this product roadmap by the third quarter of 2024.

Leaders across the digital marketing landscape are continually seeking new avenues to evolve their strategic and operational marketing models. They leverage technology and real-time data to enhance marketing operations and deliver attributable return-on-investment. Xemoto’s expansion into performance marketing is aimed at adapting to the evolving needs of its clients while maintaining the quality and service standards of its current offerings.

Corporate Developments

Business Development and Growth

The Company successfully completed its beta program for the Spectrum platform by April 2022, which commenced in Q4 of the prior financial year. The beta program had 25 client participants for which the Company ran 47 campaigns with an average reach of over 230,000 followers per campaign. Following completion of the beta program, Xemoto initiated the commercial launch of Spectrum in June 2022, primarily targeting small cap Mining and Natural Resources companies listed on various Canadian stock exchanges.

For the Fiscal 2023, the Company achieved a total revenue of $306,663 by servicing 37 end clients for whom Xemoto completed a total of 105 influencer campaigns. The Company progressively expanded its target market by servicing clients in over 7 industries and 18 sub industry verticals, with a primary focus on the financial services, healthcare and cleantech, renewables, and mining and natural resources industries. These four industries represented approximately 75% of the Company’s revenue on a combined basis for the Fiscal 2023.

The Company’s organic growth across these industries is attributed to several factors. Xemoto’s go-to-market strategy emphasized outbound sales and marketing for both client and influencer acquisition. Additionally, the Company adopted a parallel focus of growing both its direct and agency sales channels, achieving a balanced revenue generation of 52% from direct sales and 48% from agency sales during Fiscal 2023. Direct sales entail selling the Company’s offerings to the end client who disseminate their content through the Spectrum platform, either as standalone influencer marketing campaign(s) or as part of the client’s longer-term marketing strategy. Agency sales entail selling the Company's offerings to investor relations and public relations agencies, which offer the Spectrum platform to their end clients in order to integrate influencer marketing with their broader marketing campaigns.

(Expressed in Canadian Dollars)

During Fiscal 2023, Xemoto strategically expanded into the United States to service its defined target industries utilizing both sales channels. The United States represents a significantly larger addressable market, and during the financial year ended March 31 2023, it was the highest revenue generating region for the Company composing of 48% of total revenue.

The Company also ensured consistent influencer compliance and quality control, continually updating its influencer pool to ensure brand safe influencer marketing for its clients. Ongoing product enhancements to the Spectrum platform were also made with respect to campaign progression tracking for clients, post-campaign performance analytics, and ease of onboarding for both clients and influencers.

Financings

Private Placements

On July 11, 2022, the Company closed a private placement financing (the "July 2022 Offering") of 9,400,000 units (each a "July 2022 Unit"), at a price of $0.05 per July 2022 Unit for gross proceeds of $470,000. Each July 2022 Unit was comprised of one Common Share and one-half of a Warrant, each whole Warrant exercisable at $0.12 for a period of five years from the closing of the July 2022 Offering. In connection with the July 2022 Offering, the Company paid finders' fees of $37,600 and issued 752,000 Finders' Warrants, each exercisable into one Common Share at a price of $0.05 for a period of five years from closing of the July 2022 Offering.

On January 12, 2023, the Company closed a private placement financing (the "January 2023 Offering") of 1,200,000 units (each a "January 2023 Unit") at a price of $0.05 per January 2023 Unit, for gross proceeds of $60,000. Each January 2023 Unit was comprised of one Common Share and one-half of a Warrant, each whole Warrant exercisable at $0.12 for a period of five years from closing of the January 2023 Offering. In connection with the January 2023 Offering, the Company paid finders' fees of $4,000 and issued 80,000 Finders' Warrants, each exercisable into one Common Share at a price of $0.05 for a period of five years from closing of the January 2023 Offering.

BDC Loan

On January 19, 2023, the Company entered into an agreement with Business Development Bank of Canada for a total loan amount of $250,000 ("BDC Loan"). The BDC Loan is guaranteed by some of the Company's certain directors, and secured by a general security agreement between the Company and the Business Development Bank of Canada dated January 19, 2023. The interest payable on the BDC Loan is 8.55% + variance interest rate of 3.89% per year. The initial disbursement of the BDC Loan of $125,000 was done immediately upon the execution of the loan agreement. The remaining $125,000 of the loan was distributed on July 28, 2023.

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

The maturity date of the BDC Loan will be January 1, 2030.

As of March 31, 2023, interest on the BDC Loan in the amount of $1,760 (March 31, 2022 – $nil) was paid.

Promissory Notes

During Fiscal 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% per year compounded annually and its payable upon on demand as follows:

(Expressed in Canadian Dollars)

Issuance Date	Recipient's Relationship to the Company	Principal Amount
		$
September 12, 2022	Executive	40,000
September 23, 2022	Director	35,000
September 26, 2022	Director	35,000
October 4, 2022	Director	5,000
October 7, 2022	Director	5,000
October 7, 2022	N/A	7,500
October 11, 2022	Director	6,000
October 11, 2022	N/A	24,000
October 24, 2022	Director	17,000
October 26, 2022	Director	23,000
November 7, 2022	Director	10,000
November 9, 2022	Director	10,000
January 23, 2023	N/A	31,500
January 24, 2023	Director	31,500
Total Notes Payable Balance		**280,500**

As at March 31, 2023, the promissory notes payable balance was $280,500 (March 31, 2022 – $nil). Accrued interest on the promissory notes in the amount of $9,351 (March 31, 2022 – $nil) was included in accounts payable and accrued liabilities.

Subsequent to Fiscal 2023, the majority of the promissory notes totaling $280,500 were converted into Common Shares as part of the Tranche 1 2023 (as defined below) private placement (see "Subsequent Events" for details).

Other Issuance of Shares and Convertible Securities

On May 30, 2022, the Company granted 400,000 stock options (the "options") to a number of its employees, at an exercise price of $0.05 per Common Share. The options expire on May 30, 2027. The options vested 1/3 on December 31, 2022, 1/3 on July 1, 2023, and 1/3 on December 31, 2023.

On June 8, 2022, the Company settled an amount of $9,500 comprised of certain outstanding fees for services provided by a vendor, through the issuance of 190,000 Common Shares.

On June 8, 2022, the Company settled an amount of $56,932.80 comprised of certain outstanding fees for services provided by vendors, through the issuance of 1,138,656 units (each a "June Unit") at a deemed issue price of $0.05 per June Unit. Each June Unit was comprised of one Common Share and one-half Warrant. Each whole Warrant is exercisable into one Common Share at a deemed issue price of $0.12 until the earlier of (i) the fifth anniversary of the issuance of the Warrant, and (ii) two years following the completion by the Company of: (a) a distribution to the public of Common Shares in Canada or the United States pursuant to a prospectus or registration statement, as applicable, and the concurrent listing of such Common Shares for trading on a recognized exchange in Canada or the United States; or (b) another transaction as a result of which all outstanding Common Shares, or the securities of another issuer issued in exchange for all such outstanding Common Shares, are traded on a recognized exchange in Canada or the United States and are freely tradable (subject to resale restrictions on any concurrent financing and control block restrictions), including by way of a reverse takeover transaction..

On September 13, 2022, 400,000 options granted on February 2, 2022 to a consultant at an exercise price of $0.05 per Common Share were cancelled. The options were cancelled in accordance with the Company's option plan following the holder ceasing to be consultant of the Company.

On September 16, 2022, the Company granted 400,000 options to an executive of the Company, at an exercise price of $0.05 per Common Share. The options expire on September 30, 2027. 1/3 of the options vested immediately on grant, 1/3 on July 1, 2023, and 1/3 on December 31, 2023.

(Expressed in Canadian Dollars)

On October 19, 2022, 200,000 options granted on February 8, 2022 to a former employee of the Company at an exercise price of $0.05 per Common Share were cancelled. The options were cancelled in accordance with the Company's option plan following the holder ceasing to be an employe of the Company.

On January 19, 2023, 200,000 options granted on February 8, 2022 to a former employee of the Company at an exercise price of $0.05 per Common Share were cancelled. The options were cancelled in accordance with the Company's option plan following the holder ceasing to be an employe of the Company.

Financial Information

The Company's selected financial information as at the end of the two most recently completed financial years ended March 31, are summarized as follows:

	2023	2022
	$	$
Sales revenue	**306,663**	25,511
Gross profit (loss)	**127,842**	(16,268)
Operating expenses	**(2,104,061)**	(2,474,776)
Net loss and comprehensive loss	**(1,993,519)**	(2,539,032)
Total assets	**123,681**	569,244
Shareholders' equity (deficit)	**(1,332,799)**	38,900

Note: The financial data for the 202 and 2022 financial years was prepared in accordance with IFRS.

Financial Condition and Results of Operations

Revenue and Gross Profit

In Fiscal 2023, the Company recorded total sales revenue of $306,663 (March 31, 2022 – $25,511) from services provided to new customers. The Company also incurred cost of sales of $178,821 (March 31, 2022 – $41,779), contributing to a gross profit of $127,842 (March 31, 2022 – gross loss of $16,268). Cost of sales is comprised primarily of payments to influencers for their services.

For further narrative information with respect to revenue growth for Fiscal 2023, please see "Corporate Developments – *Business Development and Growth*" above.

Revenue segmentation for Fiscal 2023:

Industries Serviced	**Revenue**	**% of Total**
Mining and Natural Resources	$71,029	23.2%
Healthcare	$57,769	18.8%
Financial Services	$56,312	18.4%
Cleantech and Renewables	$43,859	14.3%
Digital Marketing and Communications	$32,971	10.8%
Software and Technology	$31,540	10.3%
Telecommunication	$4,600	1.5%
Other	$8,582	2.8%
Total	**$306,663**	**100%**

Note: "Industries Serviced" represents the industry of the end client utilizing the Company's influencer marketing platform to disseminate content.

(Expressed in Canadian Dollars)

Sales Channels	Revenue	% of Total
Direct	$159,517	52.0%
Agency	$147,145	48.0%
Total	**$306,663**	**100%**

Regions	Revenue	% of Total
Canada	$123,228	40.2%
United States	$147,129	48.0%
International	$36,305	11.8%
Total	**$306,663**	**100%**

Note: "Regions" represents the region of the end client utilizing the Company's influencer marketing platform to disseminate content.

Operating Expenses

In Fiscal 2023, the Company incurred total operating expenses of $2,104,061, as compared to total operating expenses of $2,474,776 for the period of March 31, 2022, which represents a total decrease of $370,715. The changes in operating expenses incurred is primarily due to:

- Increase of $55,422 in management salaries and consulting fees to $1,147,199 (March 31, 2022 – $1,091,777) as the Company expanded the management team in place, as well as filling a number of positions to fulfill business growth requirements from a commercial and operational standpoint;
- Increase of $469,867 in professional fees to $665,305 (March 31, 2022 – $195,438), as significant expenses were incurred due to growth, new hirings, and other restructuring which occurred during the current year;
- Decrease of $939,100 in share-based compensation to $73,794 (March 31, 2022 – $1,012,894) as a result of various options and restricted share units (the "RSU") being granted to officers, directors, employees and consultants of the Company, resulting in a non-cash expense in connection with the vesting of these share-based securities;
- Increase of $44,509 in research and development cost to $72,924 (March 31, 2022 – $28,415) comprised of software development, testing and subscription;
- Decrease of $40,951 in office and general expenses to $59,853 (March 31, 2022 – $100,804) primarily due to streamlining of operations as management continued to optimize the business;
- Increase of $26,380 in marketing and advertising expenses to $52,276 (March 31, 2022 – $25,896) as management engaged in certain activities to promote the Company, as part of its growth strategy; and
- Depreciation on computer equipment and software of $24,908 (March 31, 2022 – $18,589) recorded on the Company's computer systems, as well as on its Spectrum platform.

Net and Comprehensive Loss

As at March 31, 2023, the Company also incurred other expenses of $17,300 (March 31, 2022 – $47,988). This is primarily composed of interest and accretion of $11,112 of which $9,351 was the interest from the aggregate principal amount of $280,500 of promissory notes issued during the Fiscal 2023 to finance business operations and growth (see section on "Promissory Notes" under Corporate Developments for more details)

In Fiscal 2023, the Company is expecting a tax refund credit related to Scientific Research and Experimental Development in the amount of $105,712.

As a result of the above items, the Company recorded a net loss and comprehensive loss of $1,993,519, as compared to a net loss and comprehensive loss of $2,539,032 for the period ended March 31, 2022.

Cash flows

Net cash used in operating activities during Fiscal 2023 was $1,287,113, as compared to net cash used in operating activities of $971,894 for the prior fiscal year, for an increase of $315,219, mainly due to business expansion and associated operational spending.

Net cash provided by financing activities during Fiscal 2023 was $890,209, as compared to $1,430,760 for March 31, 2022. In Fiscal 2023, the Company completed several private placements and raised gross proceeds of $530,000, which was offset by commissions and agents' fees of $45,291. The Company received $280,500 of advances from shareholders as a result of issuing promissory notes. Furthermore, the Company also received an initial advance of $125,000 from the Business Development Bank of Canada (see "Corporate Developments - *BDC Loan*" for more information) for working capital purposes.

Net cash used by investing activities during Fiscal 2023 was $4,459, as compared to net cash used in investing activities of $14,543 for the period ending in March 31, 2022. In all, the investing cash flows were primarily made for the purchases of computer equipment.

Working Capital and Liquidity Outlook

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the development of its planned business activities. The board of directors of the Company ("Board") does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As at March 31, 2023, the Company had current assets of $53,177 (March 31, 2022 – $478,290), including cash of $42,874 (March 31, 2022 – $444,237), to settle current liabilities of $1,331,480 (March 31, 2022 – $530,344), for a working capital deficiency of $1,278,303 (March 31, 2022 – working capital deficiency of $52,054). Management plans to remedy this working capital deficiency by (a) raising additional adequate capital in the form of equity, debt or convertible instruments (b) executing debt settlements with creditors, when applicable, to convert any short term liabilities to equity and (c) improving the financial performance of the business in the form of both revenue growth and cost optimization. Management has historically executed such capital raises, debt settlements with creditors and financial performance improvements of the business, successfully.

When managing capital, the Company's objective 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 years ended March 31, 2023, and 2022.

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

For more information with respect to trends or expected fluctuations in the Company's liquidity please see "Liquidity Risks".

Significant Accounting Judgments and Estimates

The preparation of the Company's 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. These are described in greater detail in Note 2(d) to the 2023 Financial Statements.

(Expressed in Canadian Dollars)

Summary of Significant Accounting Policies

The significant accounting policies used by the Company are described in greater detail in Note 3 to the 2023 Financial Statements.

Related Party Transactions

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

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

	March 31, 2023	March 31, 2022
	$	$
Management salaries and consulting fees	**323,000**	266,312
Professional fees	**437,440**	227,574
Share-based compensation	**61,754**	64,944
	822,194	558,830

Management salaries and consulting fees

(a) Remuneration of key management personnel of the Company for Fiscal 2023 included salary of $190,000 and management bonus of $133,000 (March 31, 2022 – $79,167) for the Chief Executive Officer ("CEO"). As of March 31, 2023, $147,251 (March 31, 2022 – $nil) owing to CEO was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

On September 12, 2022, the CEO of the Company advanced the Company $40,000 and the Company issued a promissory note bearing interest at 8% per year compounded annually and payable.

(b) For Fiscal 2023, renumeration of $26,631 (March 31, 2022 – $114,905) had been recorded for the services by a former director who resigned on June 15, 2022. As at March 31, 2023, no balance (March 31, 2022 – $10,413) was outstanding.

(c) For Fiscal 2023, Black Oak Ventures Ltd. ("Black Oak"), an entity where an executive of the Company is the principal, provided consulting services to the Company resigned on November 1, 2021. The management salaries and consulting fees for the comparable period ending March 31, 2022 were $72,240. As at March 31, 2023, $135,227 (March 31, 2022 – $74,580) owing to Black Oak was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Professional fees

(d) For Fiscal 2023, FMI Capital Advisory Inc. ("FMICAI"), an entity where the Executive Chairman and a director of the Company is also the Chairman, charged fees of $179,711 (March 31, 2022 – $121,000), for financial advisory and other services provided to the Company. As at March 31, 2023, $314,022 (March 31, 2022 – $62,408) 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.

For Fiscal 2023, a certain director of the Company advanced the Company $68,000 and the Company issued a promissory note bearing interest at 8% per year compounded annually and payable on demand

(e) For Fiscal 2023, Fogler, Rubinoff LLP ("Fogler"), an entity where the Executive Chairman of the Company is a partner, charged fees of $56,978 (March 31, 2022 – $49,824), for legal services provided to the Company. As at March 31, 2023, $61,127 (March 31, 2022 – $39,397) 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 Fiscal 2023, Branson Corporate Services Ltd. ("Branson"), an entity where the Chief Financial Officer ("CFO") of the Company is employed, and the Executive Chairman of the Company held a 39% direct and indirect interest in, charged fees of $75,000 (March 31, 2022 – $56,750), for providing CFO services to the Company, as well as other accounting and administrative services. As at March 31, 2023, $17,374 (March 31, 2022 – $14,125) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

(g) For Fiscal 2023, Right Path Advisory ("Right Path"), an entity where the Senior Vice President of the Company was employed, charged fees of $73,620 (March 31, 2022 – $nil). As at March 31, 2023, $3,593 (March 31, 2022 – $nil) owing to Right Path was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

(h) On January 1, 2023, Xemoto and 2763168 Ontario Inc. ("2763168 Ontario"), an entity where a director of the Company is the principal, entered into a consulting agreement, for a monthly remuneration of $5,000 in consideration of services to be provided by the Executive Vice President of Finance to the Company. During Fiscal 2023, The Executive Vice President of Finance, charged fees of $20,000 (March 31, 2022 – $nil). As at March 31, 2023, $10,325 (March 31, 2022 – $nil) owing to 2763168 Ontario 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 Fiscal 2023, the share-based compensation of 900,000 options and RSUs that were granted to the CEO on November 1, 2021 was $12,078 (March 31, 2022 – $6,183) and $14,671 (March 31, 2022 – $7,511) respectively.

(j) For Fiscal 2023, the share-based compensation of 2,800,000 options granted to various officers and directors was $34,998 (March 31, 2022 – $51,250).

(k) For Fiscal 2023, the share-based compensation of 400,000 options granted to an executive of the Company was $4,323 (March 31, 2022 – $nil).

Other related party transactions

(l) For Fiscal 2023, EXT Digital Inc. ("EXT Digital"), an entity where one of the directors of the Company is also a director, incurred reimbursable fees of $nil (March 31, 2022 – $26,949), for business operation related purchase for the Company. As at March 31, 2023, no balance (March 31, 2022 – $22,039) owing to EXT Digital was included in accounts payable and accrued liabilities.

(m) For Fiscal 2023, Unite Communications. ("Unite"), an entity where one of the directors of the Company is also a director, recorded sales revenue of $4,600 (March 31, 2022 – $nil), for business operations related purchases for the Company. As at March 31, 2023, no balance (March 31, 2022 – $nil) owing to Unite was included in accounts payable and accrued liabilities.

For Fiscal 2023, a director of the Company advanced the Company $99,500 and the Company issued a promissory note bearing interest at 8% per year compounded annually and payable on demand.

(n) For Fiscal 2023, the Company also recorded sales revenue of $23,567 (period March 31, 2022 – $9,759) from EXT Digital for services rendered. As at March 31, 2023, no balance was (March 31, 2022 – $9,759) due from EXT Digital in accounts receivable.

(o) For Fiscal 2023, EXT Marketing Inc. ("EXT Marketing"), an entity where one of the directors of the Company is also a director, charged fees of $5,500 (March 31, 2022 – $60,500), for marketing services provided to the

Company. As at March 31, 2023, no balance (March 31, 2022 – $68,365) owing to EXT Marketing was included in accounts payable and accrued liabilities.

(p) For Fiscal 2023, Foundation Markets Inc. ("FMI"), an affiliated entity of FMICAI where the Executive Chairman and a director of the Company is also the Chairman, charged finders' fees of $37,600 and $4,000 in connection with the July 2022 and January 2023 Offering respectively. As at March 31, 2023, $4,000 (March 31, 2022 – $7,400) owing to FMI was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

(q) For Fiscal 2023, TextMeAnywhere, an entity where one of the directors of the Company is also a director, charged fees of $6,400 (March 31, 2022 – $nil) for computer and internet services provided to the Company. As at March 31, 2023, $6,400 (March 31, 2022 – $nil) owing to TextMeAnywhere was included in accounts payable and accrued liabilities.

(r) For Fiscal 2023, a director of the Company advanced the Company $5,000 and the Company issued a promissory note bearing interest at 8% per year compounded annually and payable on demand.

(s) For Fiscal 2023, a director of the Company advanced the Company $5,000 and the Company issued a promissory note bearing interest at 8% per year compounded annually and payable on demand.

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 to a digital marketing business model at a time 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 March 31, 2023, the Company had a cash balance of $42,874 (March 31, 2022 – $444,237) to settle current liabilities of $1,456,480 (March 31, 2022 – $530,344), and had the following contractual undiscounted obligations:

(Expressed in Canadian Dollars)

	Carrying amount	**Year 1**	**Year 2 to 3**	**Year 4 to 5**
Accounts payable and accrued liabilities	923,491	923,491	-	-
Notes payable	280,500	280,500	-	-
Deferred revenue	127,489	127,489	-	-
BDC Loan	125,000	125,000	-	-
Total	**1,456,480**	**1,456,480**	**-**	**-**

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.

Management believes there is sufficient capital to meet short-term business obligations, after taking into account cash flow requirements from operations and the Company's cash position as at March 31, 2023. Nevertheless, management understands that it will have to raise more funds in order to support its operations going forward.

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 March 31, 2023, the Company had no financial instruments which are 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 may have, from time to time, transactions denominated in foreign currencies. The Company's primary exposure to foreign exchange risk is that transactions denominated in foreign currency may expose the Company to the risk of exchange rate fluctuations. Based on its current operations, 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 March 31, 2023, the Company did not have any financial instruments which were carried at fair value (March 31, 2022 – $nil).

(Expressed in Canadian Dollars)

COVID-19

COVID-19 has not had a material impact on Xemoto's operations in fiscal 2022 and it is not expected to impact operations in fiscal 2023. The Company operates virtually and as such, employees do not come into contact with one another. Employees who have tested positive for COVID-19 take time off to rest and recover as they would for a seasonal flu. There has not been any long term absentee due to COVID-19.

Off Balance Sheet Arrangements

As at March 31, 2023 and the date of this MD&A, the Company does not have any off-balance sheet arrangements.

Subsequent Events

Financings - Private Placements

Date of Issue	Description	Number and Type of Securities Sold	Price per Common Share / Exercise Price	Description of Consideration
June 8, 2023	Private Placement - Tranche 1, 2023 (a)	45,055,001 (Common Shares)	$0.01	Cash
July 4, 2023	Private Placement - Tranche 2, 2023 (b)	8,900,000 (Common Shares)	$0.01	Cash
August 23, 2023	Private Placement - Convertible Debentures (c)	100 (Debentures)	$1,000	N/A
November 16, 2023	Private Placement - Tranche 3, 2023 (d)	15,750,000 (Common Shares)	$0.01	Cash

(a) On June 8, 2023, the Company closed a non-brokered private placement (the "Tranche 1, 2023") through the issuance of 45,055,001 Common Shares at a price of $0.01 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 the Notes from various parties that had all previously advanced cash consideration in the form of such Notes. In connection with Tranche 1, 2023, 3,604,400 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 Foundation Markets Inc. 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 8,900,000 Common Shares at a price of $0.01 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 settlement from Black Oak. In connection with Tranche 2, 2023, 712,000 broker unit purchase warrants and cash commission in the amount of $7,120 due as compensation to the agents were waived by the agent as per the fee waiver agreement between the Company and Foundation Markets Inc. dated July 4, 2023.

(c) 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 (the "Maturity 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 $0.025 (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 $0.075 per Common Share (referred to as the "Conversion Trigger Price"), the Debentures will 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. 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 has 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 as compensation to the Debenture agents were waived by the agent as per the fee waiver agreement between the Company and Foundation Markets Inc. dated August 23, 2023.

(Expressed in Canadian Dollars)

(d) On November 16, 2023, the Company closed a non-brokered private placement (the "Tranche 3, 2023") through the issuance of 15,750,000 Common Shares at a price of $0.01 per Common Share, for gross proceeds of $157,500. In connection with Tranche 3, 2023 Offering, 1,260,000 broker unit purchase warrants and cash commission in the amount of $12,600 as compensation to the Agents were waived by the agent as per the fee waiver agreement between the Company and Foundation Markets Inc. dated November 16, 2023.

Financings – Promissory Notes

(e) Subsequent to the Fiscal 2023, the Company issued $155,000 of the Notes to certain executives and directors, each bearing interest at a rate of 8% per year compounded annually and payable on demand as follows:

Issuance Date	Recipient's Relationship to the Company	Principal Amount
April 11, 2023	Director	20,000
April 11, 2023	Executive	20,000
April 24, 2023	Director	12,500
April 24, 2023	Executive	12,500
May 8, 2023	Executive	40,000
May 10, 2023	Director	40,000
May 24, 2023	Executive	5,000
May 25, 2023	Director	5,000
TOTAL		**155,0000**

On June 1, 2023, the Company entered into an on demand promissory note agreement (the "Prom Note") with various lenders of the Company for a principal amount of $27,000. The Prom Note bears interest at a rate of 8% per year compounded annually and is repayable on demand.

Other Issuances of Common Shares and Convertible Securities

(f) 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 285,600 Common Shares of the Company at a price of $0.05 per Common Share.

(g) On May 22, 2023, the Company settled an amount of $12,770 comprised of certain outstanding fees for services provided by a vendor through issuance of 255,399 Common Shares at a price of $0.01 per Common Share.

(h) On May 22, 2023, the Company settled an amount of $5,664 comprised of certain outstanding fees for services provide by a vendor through issuance of 113,274 Common Share at a price of $0.01 per Common Share.

(i) On May 22, 2023, the Company settled an amount of $29,711 comprised of certain outstanding fees for services provided by vendors through issuance of 2,971,112 Common Share at a price of $0.01 per Common Share.

(j) On May 22, 2023, the Company settled an amount of $27,200 comprised of certain outstanding fees for services provided by vendors through issuance of 2,360,000 and 360,000 Common Share respectively at a price of $0.01 per Common Share.

(k) On May 22, 2023, the Company settled an amount of $133,000 with respect to a management bonus for an executive of the Company through share issuance of 2,660,000 Common Share at a price of $0.01 per Common Share.

(l) On May 22, 2023, the Company issued 760,716 Common Share to certain promissory note holders of the Company at a price of $0.01 per Common Share, as bonus shares for bridging the financial needs of the Company.

(m) On May 22, 2023, the Company granted 1,400,000 RSUs to various officers and directors at a price of $0.01, expiring May 22, 2026. 35% of the options vested on the first anniversary of the grant date, 33% vested on each following anniversary of the grant date respectively.

(n) On June 9, 2023, the Company settled an amount of $100,000 comprised of certain outstanding fees for services provided by vendors through issuance of 7,900,000 and 2,100,000 Common Share respectively at a price of $0.01 per share.

(o) On June 9, 2023, the Company issued 427,531 Common Share for certain executives in connection with temporary salary reduction at a price of $0.01 per Common Share.

(p) On June 9, 2023, the Company issued 320,357 bonus Common Share for certain executives in connection with bridging the Company's financial needs at a price of $0.01 per Common Share.

(q) On June 9, 2023, the Company settled an amount of $10,000 comprised of certain outstanding fees for services provided by vendors through the issuance of 1,000,000 Common Share respectively at a price of $0.01 per Common Share.

(r) On October 13, 2023, pursuant to a voluntary separation agreement ("CEO Agreement") between the Company and its previous CEO, the Company issued 2,000,000 Common Shares to the previous CEO at a deemed issue price of $0.01 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 900,000 RSUs were completely vested and converted to Common Shares as part of the CEO Agreement.

(s) On October 13, 2023, the Company granted 5,000,000 stock options to a certain executive. 1/3 of the options will have an exercise price of $0.02 per Common Shares, 1/3 of the options will have an exercise price of $0.035 per Common Share and 1/3 of the options will have an exercise price of $0.04 per Common Share. The options vest 1/4 on April 13, 2024, 1/4 on October 13, 2024, 1/4 on April 13, 2025 and final 1/3 vest on October 13, 2025.

(t) On October 23, 2023, the Company settled an amount of $4,000 comprised of certain outstanding fees for services provide by a vendor through the issuance of 400,000 Common Shares at a price of $0.01 per Common Share.

(u) 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 1,710,000 Common Shares of the Company at a price of $0.01 per share.

(v) 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 700,000 Common Shares of the Company at a price of $0.01 per Common Shares.

(w) On January 12, 2024, the Company granted 4,000,000 options to certain directors and officers. All vested immediately and have an exercise price of $0.01125 per Common Share. In addition, 3,990,000 options were granted to certain directors, officers and employees. All vest 12 months from date of grant and have an exercise price of $0.01125 per Common Share. Furthermore, on the same date, 2,000,000 options were granted to certain employees and a consultant. Vesting one-third (1/3) of the options immediately, one-third (1/3) vesting in 12 months, and one-third (1/3) in 24 months; at an exercise price of $0.01125 per Common Shares.

(x) On January 12, 2024, the Company issued 4,000,000 Common Shares to certain directors and officers of the Company at a price of $0.01 per Common Share.

Directors, Officers and Key Management changes

(y) On August 1, 2023, Mr. Keith Li, who provided Chief Financial Officer ("CFO") services to the Company under Branson Corporate Services, resigned from his position as CFO of the Company.

On August 1, 2023, the Company and 2763168 Ontario Inc. ("2763168 Ontario"), an entity where a director of the Company is the principal, amended the consulting agreement previously executed on January 1, 2023. Pursuant to the amendment, Mr. Taif Ahmed, principal of 2763168 Ontario and a director of the Company provided additional services to the Company under 2763168 Ontario, in the role of Interim Chief Financial Officer of the Company.

(z) On October 13, 2023, pursuant to a voluntary separation agreement ("Agreement") between the Company and Virginia Brailey, Chief Executive Officer, Ms. Brailey resigned from her position to pursue other opportunities.

(aa) On October 13, 2023, Mr. Brandon Mina was appointed as the Chief Executive Officer of the Company.

(bb) On October 23, 2023, the Company and 2041423 Ontario Limited ("2041423 Ontario"), an entity where Mr. Jeremy Goldman, a director of the Company is the principal, entered into a consulting agreement whereby Mr. Goldman will provide the services of Interim Chief Operating Officer for a monthly remuneration of $5,000.

(cc) On November 30, 2023, Mr. Brandon Mina and Mr. Andres Tinajero were appointed to the Board following the resignations of Mr. Taif Ahmed and Mr. Marc Lakmaaker, respectively, on the same date.

(dd) On January 9, 2024, Mr. Taif Ahmed resigned as Interim-Chief Financial Officer and Executive Vice President of Finance of the Company.

(ee) On the same day, the Company and CFO Advantage Inc., an entity where Mr. Kyle Appleby is the principal, entered into a consulting agreement whereby Mr. Appleby, though CFO Advantage Inc. will provide the services of Chief Financial Officer of the Company for a monthly remuneration.

Acquisition of Xemoto Media Ltd. By Universal PropTech Inc.

(ff) On September 18, 2023, the Company entered into a binding letter of intent (the "**LOI**") with Universal PropTech Inc. ("**UPI**") whereby UPI intends to acquire (the "**Proposed Transaction**") 100% of the issued and outstanding securities of the Company (the "**Xemoto Securities**") and securityholders of the Company will receive UPI Securities (as defined below) in exchange for their Xemoto Securities. UPI and the Company will negotiate and enter into a definitive agreement in respect of the Proposed Transaction on or before May 31, 2024 (the "**Definitive Agreement**"). Pursuant to the Proposed Transaction: (i) holders of Common Shares will receive 0.225 of a common share in the capital of UPI (each whole share being a "**UPI Share**") for each Common Share (the "**Exchange Ratio**") held; and (ii) all outstanding securities convertible into Common Shares shall be exchanged, based on the Exchange Ratio, for equivalent securities to purchase UPI Shares on substantially similar terms and conditions (the "**UPI Securities**"). Pursuant to the terms of the LOI, UPI and the Company entered into a loan agreement (the "**UPI Loan**") whereby UPI advanced $250,000 to the Company (the "**Principal Sum**"). The maturity date of the UPI Loan is the earlier of (i) the closing of the Proposed Transaction, (ii) the termination of the LOI by either party or expiry of the LOI without having executed a Definitive Agreement in respect of the Proposed Transaction (the "**Maturity Date**"). The UPI Loan bears no interest until the Maturity Date if repaid in accordance with the terms of the LOI. In the case of a default, interest accrues, payable monthly, at a rate of 18% per annum. UPI was granted a general security agreement from the Company in favour of UPI, constituting a lien on all of the present and future property of the Company. The final structure of the Proposed Transaction is subject to the receipt of tax, corporate and securities law advice for both UPI and the Company. Upon completion of the Proposed Transaction, the issuer resulting from the Proposed Transaction (the "**Resulting Issuer**") will carry on the business of the Company. Closing of the Proposed Transaction will be subject to a number conditions, including, without limitation: approval of the Proposed Transaction by the boards of directors of UPI and the Company; completion of satisfactory results from due diligence investigations for each of the parties; execution of a Definitive Agreement effecting the Proposed Transaction; receipt of all regulatory approvals with respect to the Proposed Transaction and the listing of the common shares of the resulting issuer on the Canadian Securities Exchange ("**CSE**"); and approval of the Proposed Transaction by the shareholders of the Company.

(Expressed in Canadian Dollars)

There can be no assurance that all of the necessary regulatory and shareholder approvals will be obtained, or that all conditions of closing will be met. The Proposed Transaction is at arm's length and is not subject to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. All insiders of the Company are arm's length parties of UPI. Certain UPI Shares to be issued pursuant to the Proposed Transaction are expected to be subject to restrictions on resale or escrow under the policies of the CSE, including the securities to be issued to principals, which will be subject to the escrow requirements of the CSE.

(gg) On October 20, 2023, UPI and the Company executed the UPI Loan; the Company received the Principal Sum of $250,000 on October 23, 2023.

(hh) On October 31, 2023, the Company and UPI executed an amendment to the LOI whereby the parties will enter into a Definitive Agreement on or before November 30, 2023. On November 29, 2023, the Company and UPI executed a further amendment to the LOI whereby the parties agreed to enter into a Definitive Agreement on or before February 28, 2024.

(ii) On February 6, 2024, the Company, UPI, and 1000615911 Ontario Inc., a wholly-owned subsidiary of UPI, entered into an acquisition agreement detailing the terms and conditions of the change of business transaction between the Company and UPI (the "COB"). Pursuant to the COB, (i) holders of Common Shares will receive 0.225 of a common share in the capital of UPI (each whole share being a "UPI Share") for each Common Share (the "Exchange Ratio") held; and (ii) all outstanding securities convertible into Common Shares shall be exchanged, based on the Exchange Ratio, for equivalent securities to purchase UPI Shares on substantially similar terms and conditions. The COB is expected to be completed on or about May 31, 2024 subject to the satisfaction or waiver of all applicable conditions. If the COB is completed, the combined entity (the "Resulting Issuer") will continue to carry on the business of the Company and will have its shares listed on the Canadian Securities Exchange (the "CSE"). There is no certainty that the COB will be completed by May 31, 2024 or at all.

Others

(jj) On January 16, 2024, the Company received a letter from Black Oak, an entity where Ryan Bilodeau, the former President of the Company is the principal, demanding repayment of outstanding consulting fees in the amount of $119,530.

(kk) On January 23, 2024, the Company received a Statement of Claim from Black Oak, the $119,530 in dispute is recorded in the financial statements for Fiscal 2023 as accounts payable. Provision for any potential additional interest and legal costs is not recorded as provision considering the amount is not determinable at the time of preparing the financial statements.

Disclosure of Outstanding Share Data as of February 6, 2024

	Authorized	**Outstanding**
Voting or equity securities issued and outstanding	Unlimited number of Common Shares	155,201,409 Common Shares and 1,400,000 RSUs.
Securities convertible or exercisable into voting or equity		18,590,000 options outstanding, of which 2,358,333 are vested and exercisable to acquire Common Shares; 28,097,323 Warrants exercisable to acquire Common Shares.

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities laws ("forward-looking statements"). All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often identified by words such as "may", "would", "could", "should", "will", "intend", "plan", "seek", anticipate", "believe", "estimate", "expect" or similar words and expressions. Examples of forward-looking statements include, among others, statements relating to information set out in this MD&A under the headings "Outlook and Strategy", "Working Capital and Liquidity Outlook", and statements and information regarding: the effects of the novel coronavirus ("COVID-19") on the Company's operations and financial condition; future financial position and results of operations, strategies, plans, objectives, goals and targets; future developments in the markets where the Company participates or is seeking to participate; and, expectations for other economic, business, regulatory and/or competitive factors related to the Company or the SaaS industry generally and other events or conditions that may occur in the future. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on management's current beliefs, expectations or assumptions regarding the future of the business, future plans and strategies, operational results and other future conditions of the Company. Although the Company believes that the expectations, estimates, and projections reflected in such forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance, or achievements to differ materially from those suggested by the forward-looking statements. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. On this basis, readers are cautioned not to place undue reliance on such forward-looking statements.

Factors which could cause actual results to differ materially from those indicated in forward-looking statements include, but are not limited tothe Company's ability to meet its working capital needs, including the cost and potential impact of complying with existing and proposed laws and regulations..

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this MD&A are made as of the date hereof and are presented for the purpose of assisting investors and others in understanding Xemoto's financial position and results of operations, as well as its objectives and strategic priorities, and may not be appropriate for other purposes. The Company undertakes no obligation to publicly update or revise any forward-looking statements or any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

Disclosure of Internal Controls over Financial Reporting

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements; and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. In contrast to non-venture issuers this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this MD&A. The Company's 2023 Financial Statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the 2023 Financial Statements in all material aspects.

Approval

The Board of the Company has reviewed the 2023 Financial Statements and the disclosures contained in this MD&A.

February 6, 2024

Brandon Mina
Chief Executive Officer

Xemoto Media Ltd.

Management's Discussion and Analysis

For the Year Ended March 31, 2022

and

The Period from July 6, 2020 (Date of Incorporation) to March 31, 2021

(Expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of Xemoto Media Ltd. ("Xemoto", "we", or the "Company") is for the year ended March 31, 2022 and the period from July 6, 2020 (Date of Incorporation) to March 31, 2021. It is supplemental to, and should be read in conjunction with, the audited financial statements of Xemoto for the year ended March 31, 2022 and the period from the date of incorporation to March 31, 2021 (the "2022 Financial Statements"). The 2022 Financial Statements and the financial information contained in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the IFRS Interpretations Committee. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. In preparing this MD&A, management has taken into account all information available up to June 29, 2022.

Unless otherwise indicated, all figures presented in this MD&A are expressed in Canadian Dollars ("$" or "CAD").

Cautionary Note Regarding Forward-Looking Statements

This MD&A contains "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities laws ("forward-looking statements"). All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often identified by words such as "may", "would", "could", "should", "will", "intend", "plan", "seek", anticipate", "believe", "estimate", "expect" or similar words and expressions. Examples of forward-looking statements include, among others, statements relating to information set out in this MD&A under the headings "Outlook and Strategy", "Working Capital and Liquidity Outlook", and statements and information regarding: the effects of the novel coronavirus ("COVID-19") on the Company's operations and financial condition; future financial position and results of operations, strategies, plans, objectives, goals and targets; future developments in the markets where the Company participates or is seeking to participate; and, expectations for other economic, business, regulatory and/or competitive factors related to the Company or the Software as a Service ("SaaS") industry generally and other events or conditions that may occur in the future. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on management's current beliefs, expectations or assumptions regarding the future of the business, future plans and strategies, operational results and other future conditions of the Company. Although the Company believes that the expectations, estimates, and projections reflected in such forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance, or achievements to differ materially from those suggested by the forward-looking statements. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. On this basis, readers are cautioned not to place undue reliance on such forward-looking statements.

Factors which could cause actual results to differ materially from those indicated in forward-looking statements include, but are not limited to: the expectations and assumptions that the Company's strategies are based on; the impact of the COVID-19 pandemic to the Company's strategies and operations; the Company's ability to manage the disruptions and volatility in the global capital markets due to COVID-19 or due to other economic factors such as inflation and rising interest rates; and the Company's ability to meet its working capital needs, including the cost and potential impact of complying with existing and proposed laws and regulations; as well as those other risks and uncertainties described in this MD&A under the heading "Financial Risks".

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this MD&A are made as of the date hereof and are presented for the purpose of assisting investors and others in understanding Xemoto's financial position and results of operations, as well as its objectives and strategic priorities, and may not be appropriate for other purposes. The Company undertakes no obligation to publicly update or revise any forward-looking statements or any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

Business Overview

Xemoto was incorporated under the *Business Corporations Act* (Ontario) on July 6, 2020, under the name "Untappedlabs Inc.". Effective May 14, 2021, the Company filed Articles of Amendment, and changed its name to Xemoto Media Ltd. Xemoto is a business-to-business investor marketing SaaS company. Using its core proprietary platform, Spectrum, the Company disseminates its clients' news releases and/or investor focused content to retail investors. This is done through the Company's affiliated financial influencers ("Finfluencers"), which operate on a wide range of social media channels including Facebook, Twitter, Instagram, Tiktok, Reddit, etc.

The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

Corporate Developments

On June 30, 2021, the Company closed a private placement financing (the "Offering") of 6,000,000 units (each a "Unit") at a price of $0.05 per Unit, for gross proceeds of $300,000. Each Unit is comprised of one common share and one common share purchase warrant ("Warrant") exercisable at $0.05 for a period of five months from closing.

On July 2, 2021, Ryan Bilodeau and Cesar Lugo were appointed as President and Managing Director of the Company, respectively. Xemoto also appointed Adam Szweras, Brian Presement, Jeremy Goldman, Jillian Bannister, Marc Lakmaaker, Randall Craig and Taif Ahmed to the Board of Directors (the "Board") of the Company.

On September 9, 2021, the Company closed a second Offering of 3,800,000 Units at a price of $0.05 per Unit, for gross proceeds of $190,000. Each Unit is comprised of one common share and one Warrant exercisable at $0.05 up to March 31, 2022.

On November 1, 2021, Virginia Brailey was hired as the Chief Executive Officer ("CEO") of Xemoto and entered into an employment agreement with the Company.

On November 1, 2021, Ryan Bilodeau resigned as President of the Company.

On November 1, 2021, Cesar Lugo resigned as Managing Director of the Company.

On February 8, 2022, the Company completed a stock split of its common shares on a one-to-two basis (the "Stock Split"). Accordingly, the 2022 Financial Statements and other information related to securities as disclosed on this MD&A had been adjusted retrospectively for the impact of the Stock Split.

On February 18, 2022, the Company closed a third Offering of 14,240,000 Units at a price of $0.05 per Unit, for gross proceeds of $712,000. Each Unit is comprised of one common share and one-half of a Warrant exercisable at $0.12 for a period of five years from closing.

On March 18, 2022, the Company closed a fourth Offering of 1,850,000 Units at a price of $0.05 per Unit, for gross proceeds of $92,500. Each Unit is comprised of one common share and one-half of a Warrant exercisable at $0.12 for a period of five years from closing.

During the year ended March 31, 2022, 4,200,000 common shares were issued as a result of the exercise of warrants for cash proceeds of $210,000.

On May 30, 2022, the Company granted 400,000 stock options to a number of its employees (see "Subsequent Events" for details).

Outlook and Strategy

Business objectives

The Xemoto leadership team are applying their extensive experience in digital marketing, investor relations, technology, and financial services to position Xemoto as a leading investor communications platform. Presently, retail investors have a big influence on financial markets and they are increasingly seeking information from social media groups and Finfluencers in order to aid with their decision-making. As such, Xemoto has developed a SaaS platform that combines access to a curated network of Finfluencers and detailed analytics to give companies and investor relations firms a way to optimize their reach and engagement with retail investors.

Significant events and milestones

The following are some of the milestones achieved by the Company thus far:

- New Company name and branding to Xemoto established in November 2021
- Closed the year ended March 31, 2022 ("Fiscal 2022") with $25k in revenue
- Established KPI Dashboard in Q4 2022
- Launched Issuer Analytics Dashboard Q1 2023
- Signed up over 150 Finfluencers in Q1 2023

Industry and market

<u>The rise of retail investors</u>

- Retail trading continued to grow in 1st half of 2021 after A record year in 2020 - individual investors added a record net $27.9 billion into the U.S. Stock market in June - *(CNBC)*
- 45% of all TSX trades were from retail investors in January 2021, UP from 35% A year ago – *(Canadian exchange operator TMX Group Ltd.)*

<u>Retail investors demographic *(OSC & Leger, April 2021)*</u>

- 40% are women, 60% are men
- 47% are in digitally enabled age ranges (18 to 55 years old)
- 43% are aged 56-75 and very market active
- 87% understand financial issues overall. 41% believe their knowledge is 'high' and 47% think it is 'average'
- 53% are considered active and sign-in to their investment account at least weekly, while 25% sign-in daily

<u>Retail investors are a strategic contributor to liquidity for small cap companies</u>

- Almost 25% of the small-cap shareholder base is held by individual, retail investors – far higher than the 10% or 11% average across mid, large and mega-caps – *(Garner Roach, IR Magazine Jan 2022)*

(Expressed in Canadian Dollars)

<u>The importance of social media and influencer marketing impact</u>

- 63% of people trust influencer insights more than what an organization says about itself – *(Edelman Trust Barometer)*

Impact of COVID-19

COVID-19 has not had a material impact on Xemoto's operations in Fiscal 2022 and it is not expected to impact operations in Fiscal 2023. The Company operates virtually and accordingly employees do not come into contact with one another. Employees who have tested positive for COVID-19 take time off to rest and recover as they would for a seasonal flu. There has not been any long term absentee due to COVID-19.

Financial Information

The Company's selected financial information as at the end of the reporting period and for the two most recently completed financial years ended March 31, are summarized as follows:

	2022	2021
	$	$
Sales revenue	**25,511**	-
Gross loss	**(16,268)**	-
Operating expenses	**(2,474,776)**	(12,878)
Net loss and comprehensive loss	**((2,539,032)**	(12,878)
Total assets	**569,244**	-
Shareholders' equity (deficit)	**38,900**	(12,848)

Financial Condition and Results of Operations

Results of operations

In Fiscal 2022, the Company recorded total sales revenue of $25,511 (period from incorporation to March 31, 2021 – $nil) from services provided to new customers. Management expects to expand its customer base into the new year. The Company incurred cost of sales of $41,779 (period from incorporation to March 31, 2021 – $nil), contributing to a gross loss of $16,268 (period from incorporation to March 31, 2021 – $nil). Cost of sales comprised primarily of payments to influencers and discounts.

In Fiscal 2022, the Company incurred total operating expenses of $ 2,474,776, as compared to total operating expenses of $12,878 for the period from incorporation to March 31, 2021, for an increase of $2,461,898. Aside from the increased scope of operations noted in the current period, the substantial increase in operating expenses incurred is primarily due to:

- Management salaries and consulting fees of $1,091,777 (period from incorporation to March 31, 2021 – $nil) as the Company put together a new management team in place, as well as filling a high number of positions to fulfill its staffing need;
- Share-based compensation of $1,012,894 (period from incorporation to March 31, 2021 – $nil) as a result of various options and restricted share units being granted to officers, directors, employees and consultants of the Company, resulting in a non-cash expense in connection with the vesting of these share-based securities;
- Increase of $182,676 in professional fees to $195,438 (period from incorporation to March 31, 2021 – $12,762), as significant expenses were incurred due to new business acquisitions, new hirings, and other restructuring which occurred during the current year;
- Increase of $100,687 in office and general expenses to $100,804 (period from incorporation to March 31, 2021 – $116) primarily due to a greater scope of operations as management continued to grow the business;
- Research and development cost of $28,415 (period from incorporation to March 31, 2021 – $nil) comprised of software development, testing and subscription;
- Marketing and advertising expenses of $25,896 (period from incorporation to March 31, 2021 – $nil) as management engaged in certain activities to promote the Company, as part of its growth strategy; and

- Depreciation on property and equipment of $18,589 (period from incorporation to March 31, 2021 – $nil) recorded on the Company's computer systems, as well as on its Spectrum platform.

In Fiscal 2022, the Company also incurred other expenses of $47,989 (period from incorporation to March 31, 2021 – $nil). During the year, the Company issued a Convertible Promissory Note (defined hereafter) in the principal amount of $100,000 for the purchase of certain proprietary software (see section on "Convertible Promissory Note" for more details). While interest and accretion of $16,775 was recorded, since the Convertible Promissory Note was treated as a financial derivative, a fair value increase of $23,971 was also recorded up to its eventual conversion. Also included in other expenses, is a write-off a rudimentary software which is no longer in use.

As a result of the above items, the Company recorded a net loss and comprehensive loss of $ 2,539,032, as compared to a net loss and comprehensive loss of $12,878 for the period from incorporation to March 31, 2021.

Cash flows

Net cash used in operating activities during Fiscal 2022 was $971,894, as compared to net cash used in operating activities of $116 from the period from incorporation to March 31, 2021, for an increase of $971,778. While the Company's operations were initially inactive, the Company was able to raise funds from certain Offerings, which were used for business expansion and the increased spending typically associated with same.

Net cash provided by financing activities during Fiscal 2022 was $1,430,760, as compared to a trivial amount during the period from incorporation to March 31, 2021. In Fiscal 2022, the Company completed several Offerings and raised gross proceeds of $1,294,500, which was offset by commissions and agents' fees of $73,740. Through exercises of Warrants, the Company received total proceeds of $210,000 from its investors. In Fiscal 2022, the Company also received advances of $63,199 from a director for working capital purposes during an earlier part of the year, which had since been repaid.

Net cash used by investing activities during Fiscal 2022 was $14,543, as compared to net cash used in investing activities of $nil during the period from incorporation to March 31, 2021. In all, the investing cash flows were primarily made for the purchases of computer equipment used by the Company's staff.

Working Capital and Liquidity Outlook

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the development of its planned business activities. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As at March 31, 2022, the Company had current assets of $478,290 (March 31, 2021 – $nil), including cash of $444,237 (March 31, 2021 – $nil), to settle current liabilities of $ 530,344 (March 31, 2021 – $12,848), for a working capital of $ 52,054 (March 31, 2021 – working capital deficiency of $12,848).

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 makes adjustments 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 rather 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 year ended March 31, 2022 and the period from incorporation to March 31, 2021.

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

(Expressed in Canadian Dollars)

Significant Accounting Judgments and Estimates

The preparation of the Company's 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. These are described in greater detail in Note 2(d) to the 2022 Financial Statements.

Summary of Significant Accounting Policies

The significant accounting policies used by the Company are described in greater detail in Note 3 to the 2022 Financial Statements.

Convertible Promissory Note

On May 14, 2021, the Company entered into an asset purchase agreement (the "Purchase Agreement") with a vendor, pursuant to which the Company acquired certain proprietary software, for consideration equal to $100,000 payable in the form of a convertible promissory note (the "Convertible Promissory Note") in the principal amount of $100,000. The Convertible Promissory Note bears interest at a rate of 8% per year compounded annually and is repayable three years from the issuance date (the "Maturity Date"). Pursuant to the terms of the Convertible Promissory Note, the entire unpaid and outstanding principal amount shall be automatically converted into common shares of the Company, at a price equal to a price at which the Company completes a private placement for minimum gross proceeds equal to $500,000 or the price of a prospectus offering of common shares, whichever takes place first (the "Conversion Price").

The liability portion of the Convertible Promissory Note was assigned a value based on the present value of the contractually determined stream of future cash flows discounted at 18%. The rate is estimated to be equivalent market interest rate that would apply to a similar liability which does not contain an equity conversion option. The portion related to the conversion feature is classified as liabilities. The conversion feature does not meet equity classification, as it contains contractual terms that result in the potential adjustment in the Conversion Price. In failing the equity classification, the conversion feature is accounted for as an embedded derivative liability as its fair value is affected by changes in eventual financing price. The effect is that the Convertible Promissory Note is accounted for at amortized cost, with the embedded derivative liability being measured at fair value with changes in value being recorded in profit or loss. The discount is being accreted over the term of the Convertible Promissory Note utilizing the effective interest method at a 16.7% discount rate.

On February 18, 2022, the Company completed an Offering of 14,240,000 Units at a price of $0.05 per Unit, for gross proceeds of $712,000. As such, it triggered the automatic conversion of the Convertible Promissory Note into 2,126,171 common shares of the Company.

The following table reflects the changes to the Convertible Promissory Note for the year ended March 31, 2022:

	$
Balance, March 31, 2021	**-**
Issuance of convertible promissory note	100,000
Fair value of derivative conversion option on date of issuance	(22,707)
Interest and accretion expense	16,775
Conversion of promissory note and interest accrued	(94,068)
Balance, March 31, 2022	**-**

The changes to the embedded derivative liability related to the Convertible Promissory Note are as follows:

	$
Balance, March 31, 2021	**-**
Fair value of derivative conversion option on date of issuance	22,707
Fair value changes of derivative liabilities	23,971
Derecognition of derivative liabilities on conversion	(46,678)
Balance, March 31, 2022	**-**

(Expressed in Canadian Dollars)

Related Party Transactions

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

The remuneration of directors and other members of key management personnel during the year ended March 31, 2022 and the period from incorporation to March 31, 2021 were as follows:

	Year ended March 31, 2022	For Period from Incorporation to March 31, 2021
	$	$
Management salaries and consulting fees	**266,312**	-
Professional fees	**227,574**	6,762
Share-based compensation	**64,944**	-
	558,830	6,762

Management salaries and consulting fees

Effective November 1, 2021, Xemoto and Virginia Brailey, the CEO of the Company entered into an employment agreement, whereas the Company agreed to pay an annual salary of $190,000 for CEO services. During the year ended March 31, 2022, the Company recorded management salaries of 79,167 (period from incorporation to March 31, 2021 – $nil).

On May 1, 2021, Xemoto and Cesar Lugo, the Managing Director of the Company, entered into a consulting agreement, for a monthly renumeration of USD $8,333 in consideration of for Managing Director services to be provided to the Company. During the year ended March 31, 2022, the Managing Director, charged fees of $114,905 (period from incorporation to March 31, 2021 – $nil), for services provided to the Company, which are included in management salaries and consulting fees. As at March 31, 2022, $10,413 (March 31, 2021 – $nil) owing to the Managing Director was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the year ended March 31, 2022, Black Oak Ventures Ltd. ("Black Oak"), an entity where Ryan Bilodeau, the President of the Company is the principal, charged fees of $72,240 (period from incorporation to March 31, 2021 – $nil), for consulting services provided to the Company. These fees are included in management salaries and consulting fees. As at March 31, 2022, $74,580 (March 31, 2021 – $nil) owing to Black Oak was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Professional fees

During the year ended March 31, 2022, FMI Capital Advisory Inc. ("FMICAI"), an entity where Adam Szweras, a director of the Company, is also the Chairman, charged fees of $121,000 (period from incorporation to March 31, 2021 – $nil), for financial advisory services provided to the Company. As at March 31, 2022, $ 128,408(March 31, 2021 – $nil) owing to FMICAI was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the year ended March 31, 2022, Fogler, Rubinoff LLP ("Fogler"), an entity where Adam Szweras is also a partner, charged fees of $49,824 (period from incorporation to March 31, 2021 – $6,762), for legal services provided to the Company. As at March 31, 2022, $39,397 (March 31, 2021 – $6,762) owing to Fogler was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the year ended March 31, 2022, Branson Corporate Services Ltd. ("Branson"), an entity where Keith Li, the Chief Financial Officer ("CFO") of the Company is employed, charged fees of $56,750 (period from incorporation to March 31, 2021 – $nil), for providing CFO services to the Company, as well as other accounting and administrative services. As at March 31, 2022, 14,125 (March 31, 2021 – $nil) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Share-based compensation

On November 1, 2021, the Company granted 900,000 options to the CEO at an exercise price of $0.05. The options vest 1/4 on each anniversary of grant starting on November 1, 2022. During the year ended March 31, 2022, share-based compensation of $6,183 was recorded in connection with the vesting of these options.

On November 1, 2021, the Company also granted 900,000 RSUs to the CEO under the same vesting terms. During the year ended March 31, 2022, share-based compensation of $7,511 was recorded in connection with the vesting of these RSUs.

On November 30, 2021, the Company granted 2,800,000 options to various officers and directors an exercise price of $0.05. 1/3 of the options vested immediately on grant, with 1/3 vesting on each following anniversary of grant. During the year ended March 31, 2022, share-based compensation of $51,250 was recorded in connection with the vesting of these options.

Other related party transactions

During the year ended March 31, 2022, EXT Digital Inc. ("EXT Digital"), an entity where Jillian Bannister is a director, incurred reimbursable fees of $26,949 (period from incorporation to March 31, 2021 – $nil), for business operation related purchase for the Company. As at March 31, 2022, $22,039 (March 31, 2021 – $nil) owing to EXT Digital was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the year ended March 31, 2022, the Company also recorded sales revenue of $9,759 (USD $7,800) (period from incorporation to March 31, 2021 – $nil) from EXT Marketing for services rendered. As at March 31, 2022, the amount of $9,759 (March 31, 2021 – $nil) due from EXT Marketing was included in accounts receivable.

During the year ended March 31, 2022, EXT Marketing Inc. ("EXT Marketing"), an entity where Jillian Bannister is a director, charged fees of $60,500 (period from incorporation to March 31, 2021 – $nil), for marketing services provided to the Company. As at March 31, 2022, $68,365 (March 31, 2021 – $nil) owing to EXT Marketing was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the year ended March 31, 2022, the Company received total advances of $63,199 (period from incorporation to March 31, 2021 – $nil), from Adam Szweras who is affiliated with FMICAI. The funds were received for working capital purposes and are non-secured and non-interest bearing. As at March 31, 2022, the advances had been entirely repaid to the director.

During the year ended March 31, 2022, officers, directors and other related parties participated in various Offerings, and subscribed for 20,703,002 Units, for total gross proceeds of $480,060.

In connection with the February 2022 Offering and the March 2022 Offering, Foundation Markets Inc. ("FMI"), an affiliated entity of FMICAI, where Adam Szweras is also the Chairman, charged finders' fees of $56,960 and $7,400, respectively, on each of the aforementioned Offerings of the Company. As at March 31, 2022, $7,400 (March 31, 2021 – $nil) owing to FMI was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

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.

(Expressed in Canadian Dollars)

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 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 March 31, 2022, the Company had a cash balance of $444,237 (March 31, 2021 – bank overdraft balance of $86) to settle current liabilities of $ 530,344 (March 31, 2021 – $12,848), and had the following contractual undiscounted obligations:

	Carrying amount	**Year 1**	**Year 2 to 3**	**Year 4 to 5**
	$	**$**	**$**	**$**
March 31, 2021				
Accounts payable and accrued liabilities	12,848	12,848	-	-
March 31, 2022				
Accounts payable and accrued liabilities	530,344	530,344	-	-

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.

Management believes there is sufficient capital to meet short-term business obligations, after taking into account cash flow requirements from operations and the Company's cash position as at March 31, 2022. Nevertheless, management understands that it will have to raise more funds in order to support its operations going forward.

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 March 31, 2022, the Company had no financial instruments which are 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. Although the Company's operations are based in Canada, transactions denominated in foreign currencies from time to time. The Company's primary exposure to foreign exchange risk is that transactions denominated in foreign currency may expose the Company to the risk of exchange rate fluctuations. Based on its current operations, 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 March 31, 2022, the Company did not have any financial instruments which were carried at fair value (March 31, 2021 – $nil).

Off Balance Sheet Arrangements

As at June 29, 2022 and the date of this MD&A, the Company does not have any off-balance sheet arrangements.

Subsequent Events

On May 30, 2022, the Company granted 400,000 stock options to a number of its employees, at an exercise price of $0.05 per share. The options expire on May 30, 2027. The options vest 1/3 on December 31, 2022, 1/3 on July 1, 2023, and final 1/3 vest on December 31, 2023 until all options are fully vested.

On June 8, 2022, the Company settled an amount of $9,500 comprised of certain outstanding fees for services provided by a vendor, through the issuance of 190,000 common shares of the Company.

On June 8, 2022, the Company settled an amount of $56,932.80 comprised of certain outstanding fees for services provided by vendors, through the issuance of 1,138,656 Units at a price of $0.05 per Unit. Each Unit is comprised of one common share of the Company and one half Warrant. Each whole Warrant is exercisable into one common share at a price of $0.12 until the earlier of (i) the fifth anniversary of the issuance of the Warrant, and (ii) two years following the date of a liquidity event by the Company.

On July 11, 2022, the Company closed a non-brokered private placement (the "Tranche 3 Offering") through the issuance of 9,400,000 Units at a price of $0.05 per Unit, for gross proceeds of $470,000. Each Unit is comprised of one common share of the Company and one half Warrant. Each whole Warrant is exercisable into one common share at a price of $0.12 for a period of five years following the closing. In connection with the Tranche 3 Offering, the Company paid cash commissions of $37,600 to the Agents. In addition, 752,000 broker unit purchase warrants were issued as compensation to the Agents.

On September 12, 2022, the Company issued notes (the "Notes") to a certain executive in the principal amount of $40,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On September 13, 2022, 400,000 options granted on February 2, 2022 to its consultant were cancelled at an exercise price of $0.05 per share.

On September 16, 2022, the Company granted 400,000 stock options to a consultant at an exercise price of $0.05 per share. The options expire on September 16, 2027. The options vest 1/3 immediately, 1/3 on July 1, 2023, and final 1/3 vest on December 31, 2023 until all options are fully vested.

On September 23, 2022, the Company issued notes (the "Notes") to a certain director of the Company in the principal amount of $35,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On September 26, 2022, the Company issued notes (the "Notes") to a certain director of the Company for a principal amount of $35,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On October 4, 2022, the Company issued notes (the "Notes") to a certain director of the Company for a principal amount of $5,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On October 7, 2022, the Company issued notes (the "Notes") to a certain director and lender of the Company for a principal amount of $5,000 and $7,500 respectively, bearing interest at 8% per year compounded annually and its payable upon on demand.

On October 11, 2022, the Company issued notes (the "Notes") to a certain directors and a lender of the Company for a principal amount of $6,000 and $24,000 respectively, bearing interest at 8% per year compounded annually and its payable upon on demand.

On October 19, 2022, 200,000 options granted on February 8, 2022 to its executive were cancelled at an exercise price of $0.05 per share.

On October 24, 2022, the Company issued notes (the "Notes") to a certain director of the Company for a principal amount of 17,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On October 26, 2022, the Company issued notes (the "Notes") to a certain director of the Company for a principal amount of $23,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On November 7, 2022, the Company issued notes (the "Notes") to a certain director of the Company for a principal amount of $10,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On November 9, 2022, the Company issued notes (the "Notes") to a certain director of the Company for a principal amount of $10,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

Subsequently some of these Notes were converted into the Company's common shares.

On January 12, 2023, the Company closed a non-brokered private placement (the "Tranche 4 Offering") through the issuance of 1,200,000 Units at a price of $0.05 per Unit, for gross proceeds of $60,000. Each Unit is comprised of one common share of the Company and one half Warrant. Each whole Warrant is exercisable into one common share at a price of $0.12 for a period of five years following the closing. In connection with the Tranche 3 Offering, the Company paid cash commissions of $4,000 to the Agents. In addition, 80,000 broker unit purchase warrants were issued as compensation to the Agents.

On January 19, 2023, 200,000 options granted on February 8, 2022 to its executive were cancelled at an exercise price of $0.05 per share.

On January 23, 2023, the Company issued notes (the "Notes") to a certain executive of the Company for a principal amount of $31,500, bearing interest at 8% per year compounded annually and its payable upon on demand.

On January 24, 2023, the Company issued notes (the "Notes") to a director of the Company for a principal amount of $31,500, bearing interest at 8% per year compounded annually and its payable upon on demand.

On January 31, 2023, the Company entered into an agreement with Business Development Bank of Canada for a total loan amount of $250,000 ("BDC loan"). The BDC loan is guaranteed by the Company's certain directors, and bounded by the General Security Agreement from Xemoto Media Ltd. The interest payable on the loan is 8.55% + variance interest rate of 3.89% per year. The initial disbursement of the loan of $125,000 was done immediately upon the execution of the loan agreement. The remaining $125,000 of the loan was distributed on July 28, 2023.

On April 11, 2023, the Company issued notes (the "Notes") to a certain executive and director of the Company for a principal amount of $20,000 and $20,000 respectively, bearing interest at 8% per year compounded annually and its payable upon on demand.

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 285,600 common shares of the Company at a price of $0.05 per share.

On April 24, 2023, the Company issued notes (the "Notes") to a certain executive and director of the Company for a principal amount of $12,500 and $12,500 respectively, bearing interest at 8% per year compounded annually and its payable upon on demand.

On May 8, 2023, the Company issued notes (the "Notes") to a certain executive of the Company for a principal amount of $40,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On May 10, 2023, the Company issued notes (the "Notes") to a certain director of the Company for a principal amount of $40,000, bearing interest at 8% per year compounded annually and its payable upon on demand.

On May 22, 2023, the Company settled an amount of $12,770 comprised of certain outstanding fees for services provide by a vendor valued at $0.05/share through issuance of 255,399 shares at a considered price of $0.01 per share.

On May 22, 2023, the Company settled an amount of $5,664 comprised of certain outstanding fees for services provide by a vendor valued at $0.05/share through issuance of 113,274 shares at a considered price of $0.01 per share.

On May 22, 2023, the Company settled an amount of $29,711 comprised of certain outstanding fees for services provided by vendors through issuance of 2,971,112 shares at a price of $0.01 per share.

On May 22, 2023, the Company settled an amount of $27,200 comprised of certain outstanding fees for services provided by vendors through issuance of 2,360,000 and 360,000 shares respectively at a considered price of $0.01 per share.

On May 22, 2023, the Company settled an amount of $133,000 management bonus for a certain executive of the Company through share issuance of 2,660,000 common shares at a price of $0.01 per share.

On May 22, 2023, the Company issued 760,716 common shares to certain promissory note holders of the Company at a price of $0.01 per share, as bonus shares for bridging the financial needs of the Company.

On May 22, 2023, the Company granted 1,400,000 restricted share units ("RSUs") to various officers and directors at a price of $0.01, expiring May 22, 2026. 35% of the options vested on the first anniversary of the grant date, 33% vested on each following anniversary of the grant date.

On May 24, 2023, the Company issued notes (the "Notes") to a certain executive of the Company for a principal amount of $5,000 bearing interest at 8% per year compounded annually and its payable upon on demand.

On May 25, 2023, the Company issued notes (the "Notes") to a director of the Company for a principal amount of $5,000 bearing interest at 8% per year compounded annually and its payable upon on demand.

On June 1, 2023, the Company entered into an on demand promissory note agreement (the "Prom Note") with various lenders of the Company for a principal amount of $27,000. The Prom Note bears interest at a rate of 8% per year compounded annually and its repayable upon on demand.

On June 8, 2023, the Company closed a non-brokered private placement (the "Tranche 1, 2023") through the issuance of 45,055,001 common shares at a price of $0.01 per share, for gross proceeds of $450,550. $77,310 received in cash, the remaining gross proceeds in the amount of $373,240 were conversion of promissory notes from various lenders. In connection with Tranche 1, 2023, 36,044 broker unit purchase warrants as compensation to the Agents were waived.

On June 9, 2023, the Company settled an amount of $100,000 comprised of certain outstanding fees for services provided by vendors through issuance of 7,900,000 and 2,100,000 shares respectively at a price of $0.01 per share.

On June 9, 2023, the Company issued 427,531 shares for certain executives in connection with temporary salary reduction at a price of $0.01 per share.

On June 9, 2023, the Company issued 320,357 bonus shares for certain executives in connection with bridging the Company's financial needs at a price of $0.01 per share.
On June 9, 2023, the Company settled an amount of $10,000 comprised of certain outstanding fees for services provided by vendors through issuance of 1,000,000 shares respectively at a price of $0.01 per share.

On July 4, 2023, the Company closed a non-brokered Rights Offering (the "Tranche 2, 2023") through the issuance of 8,900,000 common shares at a price of $0.01 per share, for gross proceeds of $89,000. $79,000 received in cash, the remaining gross proceeds in the amount of $10,000 were conversion of debt settlement from Black Oak Ventures Ltd. In connection with Tranche 2, 2023 Offering, 712,000 wroker unit purchase warrants and cash commission in the amount of $7,120 as compensation to the Agents were waived.

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 (the "**Maturity 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 $0.025 (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 $0.075 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. 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 as compensation to the Debenture agents were waived.

On September 18, 2023, the Company entered into a binding letter of intent (the "**LOI**") with Universal PropTech Inc. (TSXV: UPI) ("**UPI**") whereby UPI intends to acquire (the "**Proposed Transaction**") 100% of the issued and outstanding securities of the Company (the "**Xemoto Securities**") and securityholders of the Company will receive UPI Securities (as defined below) in exchange for their Xemoto Securities. UPI and the Company will negotiate and enter into a definitive agreement in respect of the Proposed Transaction on or before October 31, 2023 (the "**Definitive Agreement**"). Pursuant to the Proposed Transaction: (i) holders of Common Shares will receive 0.225 of a common share in the capital of UPI (each whole share being a "**UPI Share**") for each Common Share (the "**Exchange Ratio**") held; and (ii) all outstanding securities convertible into Common Shares shall be exchanged, based on the Exchange Ratio, for equivalent securities to purchase UPI Shares on substantially similar terms and conditions (the "**UPI Securities**"). Pursuant to the terms of the LOI and pending TSXV acceptance, UPI and the Company intend to enter into a loan agreement (the "**UPI Loan**") whereby UPI will advance $250,000 to the Company (the "**Principal Sum**"). The maturity date of the UPI Loan will be the earlier of (i) the closing of the Proposed Transaction, (ii) the termination of the LOI by either party or expiry of the LOI without having executed a Definitive Agreement in respect of the Proposed Transaction (the "**Maturity Date**"). The UPI Loan shall bear no interest until the Maturity Date if repaid in accordance with the terms of the LOI. In the case of a default, interest shall accrue, payable monthly, at a rate of 18% per annum. UPI shall be granted a general security agreement from the Company in favour of UPI, constituting a lien on all of the present and future property of the Company. The final structure of the Proposed Transaction is subject to the receipt of tax, corporate and securities law advice for both UPI and the Company. Upon completion of the Proposed Transaction, the issuer resulting from the Proposed Transaction (the "**Resulting Issuer**") will carry on the business of the Company. Closing of the Proposed Transaction will be subject to a number conditions, including, without limitation: approval of the Proposed Transaction by the boards of directors of UPI and the Company; completion of satisfactory results from due diligence investigations for each of the parties; execution of a Definitive Agreement effecting the Proposed Transaction; receipt of all regulatory approvals with respect to the Proposed Transaction and the listing of the common shares of the resulting issuer on the Canadian Securities Exchange ("**CSE**"); and approval of the Proposed Transaction by the shareholders of the Company. There can be no assurance that all of the necessary regulatory and shareholder approvals will be obtained or that all conditions of closing will be met. The Proposed Transaction is at arm's length and is not subject to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*. There are no non-arm's length parties of UPI that are insiders of the Company. Certain UPI Shares to be issued pursuant to the Proposed Transaction are expected to be subject to restrictions on resale or escrow under the policies of the CSE, including the securities to be issued to principals, which will be subject to the escrow requirements of the CSE.

(Expressed in Canadian Dollars)

On October 13, 2023, pursuant to a voluntary separation agreement ('Agreement") between the Company and Virginia Brailey, Chief Executive Officer, she resigned from her position to pursue other opportunities.

On October 13, 2023, Mr. Brandon Mina joined the Company, replacing Virginia Brailey as the Chief Executive Officer.

Disclosure of Outstanding Share Data as of October 20, 2022

	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited number of common shares	129,741,409 common shares and 2,300,000 restricted share units of the Company.
Securities convertible or exercisable into voting or equity		4,500,000 options outstanding, of which 2,625,000 are vested and exercisable to acquire common shares of the Company; 28,097,323 warrants exercisable to acquire common shares of the Company.

Disclosure of Internal Controls over Financial Reporting

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements; and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. In contrast to non-venture issuers this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this MD&A. The Company's 2022 Financial Statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the 2022 Financial Statements in all material aspects.

Approval

The Board of the Company has reviewed the 2022 Financial Statements and the disclosures contained in this MD&A.

October 20, 2023

Brandon Mina
Chief Executive Officer

SCHEDULE “D”

Universal PropTech Inc.

Management's Discussion and Analysis

For the three and six months ended February 29, 2024 and February 28, 2023

The following is the Management's Discussion and Analysis ("MD&A") of the results of operations and financial condition of Universal PropTech Inc. ("UPI", "we" or the "Company") as at and for the three and six months ended February 29, 2024. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A is supplemental to and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and six months ended February 29, 2024 and February 28, 2023 (the "Q2 2024 Financials") and its audited consolidated financial statements and related notes for the years ended August 31, 2023 and 2022 (the "2023 Financials"). The 2023 Financials and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All figures are expressed in Canadian dollars unless stated otherwise.

This MD&A also covers the subsequent period up to April 19, 2024.

Description of Business

UPI was incorporated under the *Canada Business Corporation Act* on August 22, 2008. The address of the Company's corporate office is Suite 2905, 77 King Street West, Toronto, Ontario, Canada, M5K 1H1. The Company's common shares are listed on the NEX Exchange under the ticker symbol "UPI.H". The Company's common shares are also listed in the United States on the OTCQB Venture Market under the ticker symbol "UPIPF", and in Germany on the Frankfurt Stock Exchange under the ticker symbol "8LH".

UPI is currently focused on evaluating acquisition opportunities to enhance shareholder value, having closed the sale of all the issued and outstanding shares of VCI Controls Inc. ("VCI") (the "Transaction"), a supplier of building technologies and services that improve comfort, safety, energy efficiency, and occupant productivity, including the integration of all building systems utilizing the latest in communications technologies and standards on January 31, 2023.

Corporate Developments

Investment and Exclusive Sale Agency in ISBRG

In February 2021, the Company acquired an approximate 2% interest in ISBRG Corp. ("ISBRG") by subscribing for Class A Common Shares of ISBRG for $1,000,000. The investment was recorded at fair value at initial recognition. At year ended August 31, 2023, the Company assessed the investment for indicators of impairment, from the date of acquisition up to the end of the reporting period based on a qualitative assessment of all information available to management and determined that a fair value adjustment of the investment is justified.

<u>Agency Terms</u>

UPI will act as the exclusive sales agent for the SpotLight-19© technology and other future platform offerings for the government and education sectors in Canada. UPI will have the exclusive rights to sell SpotLight-19© to any and all governmental facilities in Canada (subject to the exclusion of certain segments), including federal, provincial, territorial and municipal facilities, as well as Canadian primary, secondary and post-secondary education facilities (both private and public). ISBRG will pay UPI a defined commission on the annual sub license fee paid by each customer, and a commission on each test fee. The SpotLight-19@ technology is subject to approval of Health Canada.

ISBRG is a data analytics company which has developed the SpotLight© technology platform designed to generate comprehensive health care data non-invasively within seconds at a nominal incremental cost per test. ISBRG's SpotLight-19© is designed to detect the presence of infection caused by SARS-CoV-2 virus. SpotLight-19© uses light to quickly scan a fingertip. The speed and cost of the test, combined with its non-invasive nature, has been designed to screen large numbers of people in largely populated venues without the prohibitive delays, cost and environmental damage associated with current chemical reagent, sample-based tests.

Sale of VCI

On December 2, 2022, the Company entered into a share purchase agreement (the "Share Purchase Agreement") with Dexterra Group Inc. ("Dexterra" or the "Purchaser") that provides for the Transaction, which closed on January 31, 2023. The Transaction is a significant and positive recognition of the history and value of the Company and most importantly its employees. Dexterra is a large and dynamic organization that can make a meaningful investment to grow VCI, service its customers and present opportunities to staff for many years to come. The Company determined that it was a good opportunity to realize a return on its proptech business.

Acquisition Strategy

The Company intends to use the cash from the VCI sale for acquisition of or investment in exciting businesses with rapid growth potential. In this regard, the Company will assess opportunities for acquisition or investment based on one or more of the following criteria:

- Rapid growth potential;
- Sector agnostic, but will favor businesses with leverageable growth prospects;
- Preference to EBITA producing and cash flow positive businesses;
- Early revenue businesses will be considered but only where product offerings are de-risked and beyond proof of concept;
- Businesses with strong management teams;
- Management buy-outs will be considered favorably; and/or
- Acquisition of companies in distress due to overleveraging and the recent higher interest rate environment.

The Company will not limit the scope of its consideration to the property technology sector, but instead, will undertake an opportunistic review of potential acquisitions in a variety of industries. The Company may make multiple investments and also expects to deploy its common shares to secure acquisition opportunities.

Proposed Transaction

On September 18, 2023, the Company signed a Letter of Intent ("LOI") for the acquisition ("Proposed Transaction") of all the issued and outstanding securities of Xemoto Media Ltd ("Xemoto"), by way of amalgamation whereby shareholders of Xemoto shall receive 0.225 of a common share of the Company at a deemed price of $0.05 per share of the Company. Any outstanding warrants, broker warrants, options and RSUs of Xemoto on closing will be exchanged for common share purchase warrants, broker warrants options and RSUs equal to 0.225 warrants and options of the Company at the same terms and conditions including exercise price. Any outstanding debentures of Xemoto will be exchanged for debenture of the Company on terms and conditions, including conversion price.

Loan Agreement

On October 20, 2023, pursuant to the LOI, the Company entered into a subordinate secured debenture ("Debenture") and a General Security Agreement ("GSA") whereby the Company loaned $250,000 to Xemoto. The Debenture is subordinated only to the first position of Business Development Bank of Canada, carries an interest of 15% per annual and matures on the earlier of: (i) the closing of the Acquisition; (ii) the termination of the LOI; or (iii) on March 24, 2024 ("Maturity Date").

On March 15, 2024, the Company signed a Subordination Agreement with KW Capital Partners Limited (the "Senior Lender" or "KW") whereby pursuant to a second convertible debenture ("Senior Debenture"), KW agreed to loan up to $300,000 to Xemoto and the Company agreed to modified its general security agreement with Xemoto pursuant to its loan agreement dated October 20, 2023 to postponed and subordinated all present and future security to the Senior Lender until the Senior Debenture is repaid in full or is converted into common shares of Xemoto.

The Debenture shall bear no interest until the Maturity Date if repaid in accordance with the terms of the LOI. In the case of a default, interest shall accrue, payable monthly, at a rate of 18% per annum. The final structure of the Proposed Transaction is subject to the receipt of tax, corporate and securities law advice for both UPI and the Company. Closing of the Proposed Transaction will be subject to a number conditions, including, without limitation: approval of the Proposed Transaction by the boards of directors of Xemoto and the Company; completion of satisfactory results from due diligence investigations for each of the parties; execution of a Definitive Agreement effecting the Proposed

Transaction; receipt of all regulatory approvals with respect to the Proposed Transaction and the listing of the common shares of the resulting issuer on the Canadian Securities Exchange ("CSE"); and approval of the Proposed Transaction by the shareholders of Xemoto. There can be no assurance that all the necessary regulatory and shareholder approvals will be obtained or that all conditions of closing will be met.

Financial Information

Selected annual information

The Company's selected annual financial information as at and for the three most recently completed financial years ended August 31 are summarized as follows:

	2023	2022	2021
	$	$	$
Total revenue	-	7,942,950	8,817,673
Net loss from continuing operations	(2,458,578)	(1,125,200)	(1,090,377)
Net loss and comprehensive loss	(79,915)	(619,152)	(1,090,377)
Net loss per share	(0.05)	(0.02)	(0.03)
Total assets	3,343,270	5,503,606	6,127,137
Long-term liabilities	-	162,640	307,786

Selected quarterly financial information

The Company's selected financial results for the eight most recently completed quarters are as follows:

	Q2 2024	Q1 2024	Q4 2023	Q3 2023
			$	$
Income (loss) from continuing operations	(234,969)	(86,782)	(1,434,681)	(147,775)
Revenue from discontinued operations	-	-	-	-
Income from discontinued operations	-	-	-	-
Net income (loss) and comprehensive income (loss)	(234,969)	(86,782)	(1,507,575)	(147,775)
Basic net (loss) per share – continuing operations	(0.00)	(0.00)	(0.04)	(0.00)
Basic net income per share – discontinued operations	0.00	0.00	0.00	0.00

	Q2 2023	Q1 2023	Q4 2022	Q3 2022
	$	$	$	$
Loss from continuing operations	(544,079)	(332,043)	(334,427)	(206,195)
Revenue from discontinued operations	1,446,325	1,753,212	2,092,497	1,736,756
Income from discontinued operations	2,305,769	72,894	19,116	89,152
Net income (loss) and comprehensive income (loss)	1,834,584	(259,149)	(353,543)	(117,043)
Basic net (loss) per share – continuing operations	(0.01)	(0.00)	(0.01)	(0.00)
Basic net income per share – discontinued operations	0.05	(0.00)	0.00	0.00

Results of Operations for the Three Months ended February 29, 2024

Continuing Operations

During the three months ended February 29, 2024 ("Q2 2024"), the Company reported a net loss from continuing operations of $234,969 (2023 – $544,079). The net loss is primarily comprised of general and administrative ("G&A") expenses of $217,170 (2023 – $554,739) and share-based payments of $38,600 (2023 - $Nil), which are offset by interest income of $20,801 (2023 – $10,952). Included in G&A expenses for the current quarter are the following items:

- Professional and consulting fees of $190,816 (2023 - $92,034), an increase of $98,782, as the Company replaced full time employees with consultants and contractors;
- Salaries and wages of $11,156 (2023 – $426,852) include director's fees of $1,500 and residual payroll remittance. A decrease of $415,696 from the same period last year as the Company no longer has employees after the sale of VCI;
- Office expenses of $14,711 (2023 – $27,312), a decrease of $12,601 due to lower activities;
- Travel expenses of $Nil (2023 – $8,541), and
- Marketing and sales expenses of $487 (2023 – $Nil).

During the three months ended February 29, 2024, income from discontinuing operations was $Nil (2023 - $2,378,663). The income from discontinuing operations in the prior period was largely due to a one-time gain from the sale of VCI, resulting in total net loss for Q2 2024 of $234,969 (2023 – net income of $1,834,584).

During the three months ended February 29, 2024, no warrants and options were exercised and the Company granted 2,000,000 options (2023 – Nil) to directors and officers which is fair valued at $38,600 (2023 - $Nil). The Company received $Nil income from discontinued operations (2023 – $2,378,663 primarily due to a one-time gain of the sale of VCI effective January 31, 2023).

Cash flows

During the three months ended February 29, 2024, net operating cash used in continuing operations was $119,419 (2023 – $537,252), for a decrease in cash outflow of $417,833 compared to the same period in 2023 due to lower activities after the sale of VCI.

During the current period, operating cash used by VCI was $Nil (2023 - $232,711).

During the three months ended February 29, 2024, and February 28, 2023, the Company did not participate in any financing activities. Investing activities during Q2 2024 was $Nil (2023 – $80,888 consisting of proceeds from sale of subsidiary of $3,819,929 which is offset by purchase of short-term investment of $3,150,000 and relinquishment of $589,041 relating to the sale of VCI).

Results of Operations for the Six Months ended February 29, 2024

Continuing Operations

During the six months ended February 29, 2024 ("Q2 2024"), the Company reported a net loss from continuing operations of $321,751 (2023 – $750,344), a decrease of $428,593 reflecting a lower level of activities. The Company has income from discontinued operation of $Nil (2023 - $2,378,663) resulting in total net loss during the period of $321,751 (2023 – 1,628,319).

Net loss from continuing operations for the six months ended February 29, 2024 was $321,751 (2023 - $750,344), a decrease of $428,593 was due to a decrease in general and administrative ("G&A") expenses of $434,526 to $326,331 (2023 – $760,857), which were offset by interest income of $43,180 (2023 – $10,952). Included in G&A expenses for the six-month period are the following items:

- Professional and consulting fees of $285,006 (2023 - $170,649), an increase of $114,357, as the Company replaced full time employees with consultants and contractors;
- Salaries and wages of $13,606 (2023 – $514,789) include director's fees of $3,000 and residual payroll remittance. A decrease of $501,183 from the same period last year as the Company no longer has employees after the sale of VCI;
- Office expenses of $26,059 (2023 – $51,773), a decrease of $25,714 due to lower activities;
- Travel expenses of $Nil (2023 – $16,980), and
- Marketing and sales expenses of $1,660 (2023 – $6,666).

During the six months ended February 29, 2024, the Company did not participate in any financing activities. There were no warrants or stock options exercised and had no cash flow from discontinued operations. The Company granted 2,000,000 stock options at a fair value of $38,600.

Cash flows

During the six months ended February 29, 2024, net operating cash used in continuing operations was $843,320 (2023 – $711,396), for an increase in cash outflow of $131,924, due to an loan to Xemoto of $250,000, an increase in prepaid expenses for $135,737 primarily due to a prepaid consulting contract and a decrease in accounts payable of $175,090 as the Company continued to stay current with its trade creditors. Cash flow used in discontinued operation was $Nil (2023 - $131,208) reflecting the sale of VCI. During the six months ended February 29, 2024 and February 28, 2023, the Company did not participate in any financing activities. Cash provided by investing activities for the period was $Nil (2023 - $80,888). Accordingly, total net cash outflow for the six months ended February 29, 2024 was $843,320 (2023 - $761,716).

Liquidity and Capital Resources

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. As at February 29, 2024, the Company had a working capital of $2,424,853 (August 31, 2023 – $2,708,004). Working capital provides funds for the Company to meet its operational and capital requirements. With the closing of the Transaction, the Company received a large sum of cash injection from the sales proceeds.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, the 12-month period from the end of the reporting period. Management is aware in making its assessment of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Company has taken and continues to take steps to reduce these losses and ultimately become profitable.

Discontinued Operations

On December 2, 2022, the Company and Dexterra entered into the Share Purchase Agreement in respect of the sale of all of the issued and outstanding shares (the "Purchased Shares") of VCI.

On January 31, 2023 (the "Closing Date"), the Company completed the Transaction. Pursuant to the terms of the Share Purchase Agreement, the Company agreed to sell, transfer and assign the Purchased Shares to the Purchaser for the aggregate purchase price (the "Purchase Price") payable in cash, subject to certain holdbacks (the "Holdback Amount") and adjustments as set out in the Share Purchase Agreement, calculated as follows:

(a) $4,000,000;
(b) plus the amount of cash held by VCI on closing of the Transaction (up to a maximum of $750,000);
(c) less the amount of indebtedness of VCI;
(d) less the amount of any transaction costs invoiced to VCI that remain payable as of the Closing Date;
(e) plus the amount (if any) of net working capital (as calculated in accordance with the Share Purchase Agreement) at the Closing Date ("Net Working Capital") that is greater than $1,250,000 (the "Net Working Capital Target"), and
(f) less the amount (if any) by which the Net Working Capital is less than the Net Working Capital Target.

Pursuant to the terms of the Share Purchase Agreement along with an indemnity agreement dated December 2, 2022 (the "Indemnity Agreement"), a portion of the Holdback Amount shall be held by the Purchaser for a period of 12 months following closing, subject to any pending claims at the end of such period, in which case, such amounts will be held until full and final settlement, final non-appealable judgement or final termination of such pending claims. A separate portion of the Holdback Amount shall be held by the Purchaser until the full and final settlement, final non-appealable judgement or final termination of certain identified legal proceedings involving VCI and are subject to release in accordance with the provisions of the Indemnity Agreement.

Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain optimal returns to shareholders and benefits for its stakeholders. The Company's capital consists of debt and equity. Its principal sources of cash are from operations, and the issuance of common shares and debt. Management intends to maintain a flexible capital structure consistent with the objectives mentioned above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, raise secured debt or refinance existing debt with different characteristics.

The Board of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the management team to sustain the future development of the business.

The Company's capital management objectives, policies and processes have remained unchanged since its most recent financial reporting period.

Financial Instruments and Risk Management

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.

Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. 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 for short or long-term financing of its operations, or sale of assets.

As at February 29, 2024, the contractual maturities of the Company's financial liabilities are as follows:

	Less than 1 year	**1 to 3 years**	**3 to 5 years**	**Total**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	80,176	-	-	**80,176**
Total	80,176	**-**	**-**	**80,176**

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash and cash equivalents are held with a reputable chartered Canadian financial institution, and in trust with the Company's legal counsel. Management reviews the strength of these institutions on a regular basis and believes that the credit risk concentration with respect to cash is minimal. The Company's accounts receivable balance is subject to minimal credit risk.

The Company's aging of accounts receivable as at February 29, 2024 is as follows:

Accounts Receivable Aging	**February 29, 2024**	August 31, 2023
	$	$
Within 30 days	**33,378**	34,035
31 to 60 days	**-**	-
61 to 90 days	**-**	-
Total Accounts Receivable	**33,378**	34,035

The maximum exposure is limited to the carrying amount of financial assets on the consolidated statements of financial position that includes cash and cash equivalents and accounts receivable.

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. The Company's convertible debentures have fixed interest rates. As at February 29, 2024, the Company had no hedging agreements in place with respect to floating interest rates.

Foreign exchange risk

The Company makes purchases from time to time in United States dollars ("USD") and does not currently engage in hedging activities. Accordingly, the Company may be exposed to foreign exchange risk on a portion of its accounts payable and accrued liabilities. However, the foreign exchange exposure to the Company at this time is not significant.

Categories and fair value of financial instruments

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. As at February 29, 2024, the Company's financial instruments consisted of cash and cash equivalents, accounts receivable, other receivables, prepaid expenses and accounts payables and accrued liabilities. The fair values of these financial instruments 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).

Related Party Transactions

In accordance with IAS 24 – Related Party Disclosures, 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 of the Board.

The remuneration for members of key management personnel and directors during the three and six months ended February 29, 2024 and February 28, 2023 were as follows:

	Three months ended		**Six months ended**	
	February 29, 2024	February 28, 2023	**February 29, 2024**	February 28, 2023
	$	$	**$**	$
Management remuneration	**24,000**	400,544	**24,000**	457,294
Professional fees	**21,000**	16,750	**42,000**	33,500
Directors' fees	**1,500**	1,500	**3,000**	3,000
Share-based payments	**38,600**	-	**38,600**	-
	85,100	418,794	**107,600**	493,794

Management remuneration

Remuneration of key management personnel of the Company for the three and six months ended February 29, 2024 was $24,000 and $24,000 (2023 – $400,544 and $457,294 for the Company's former CEO) for the Company's Chief Executive Officer ("CEO"). As at February 29, 2024, $18,080 was owed to the CEO. During the three and six months ended February 29, 2024, $7,500 and $15,000 (2023 - $Nil) was paid to the Company's Chief Financial Officer ("CFO"). As at February 29, 2024, no balance was owed to the former CEO and CFO (August 31, 2023 – $Nil).

Professional fees

During the three and six months ended February 29, 2024, Branson Corporate Services Ltd. ("Branson"), where the former CFO of UPI is employed, charged fees of $13,500 and $27,000 (2023 – $16,750 and $33,500), for providing accounting and administrative services to the Company. As at February 29, 2024, $Nil (August 31, 2023 – $5,875) was owed to Branson.

Directors' fees

During the three and six months ended February 29, 2024, directors' compensation were $1,500 and $3,000, respectively (2023 - $1,500 and $3,000) which were charged to salaries and wages under general and administrative expenses. As at February 29, 2024, $3,000 (August 31, 2023 – $nil) directors' fees owed to directors were included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Stock-based compensation

During the three and six months ended February 29, 2024, officers and directors of the Company received stock-based compensation of $38,600 and $38,600 (2023 – $Nil and $Nil) on vesting of options granted.

Outstanding Share Data

As at the date of this MD&A, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of UPI are as follows:

Securities	Number Outstanding
Shares issued and outstanding	49,217,408
Options outstanding and exercisable	2,950,000
Options issuable	1,971,741

Subsequent Events

On March 15, 2024, the Company signed a Subordination Agreement with KW Capital Partners Limited (the "Senior Lender" or "KW") whereby pursuant to a second convertible debenture ("Senior Debenture"), KW agreed to loan up to $300,000 to Xemoto and the Company agreed to modified its general security agreement with Xemoto pursuant to its loan agreement dated October 20, 2023 (Note 5) to postponed and subordinated all present and future security to the Senior Lender until the Senior Debenture is repaid in full or is converted into common shares of Xemoto.

Summary of Significant Accounting Policies

(a) Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

On initial recognition, the Company determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss ("FVTPL")
3. Measured at fair value through other comprehensive income ("FVTOCI")

The classification under IFRS 9 – Financial Instruments ("IFRS 9") is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met: (i) held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's classification of financial assets and financial liabilities under IFRS 9 are summarized below:

Cash	Amortized cost
Investment	FVTPL
Accounts receivables, excluding HST	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Measurement

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition. Transaction costs related to FVTPL assets and liabilities are expensed as incurred.

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

FVTPL – Changes in fair value after initial recognition, whether realized or not, are recognized through profit or loss. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

FVTOCI – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Impairment

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred.

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

Gains or losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Determination of fair value

The determination of fair value requires judgment and is based on market information, where available and appropriate. 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).

Level 1 inputs are unadjusted quoted prices, in active markets for identical assets or liabilities that the entity can access at the measurement date. For a price to qualify as Level 1, the Company should be able to obtain the price from multiple sources as a single market maker would almost by definition suggest an inactive market. Level 1 inputs related to items traded on an exchange or an active index/market location.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, which include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active, for example, dealer markets where the dealer is standing ready and able to transact at that price such as an OTC market;
- Broker quotes corroborated with observable market information;
- Inputs other than quoted prices are observable for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads, etc.

Examples of Level 3 values include:

- Inputs obtained from broker quotes or a pricing service that are indicative (that is, not being transacted upon) and not corroborated with observable market data; and
- Models that incorporate management assumptions that cannot be corroborated with observable market data.

(b) Impairment of Non-Financial Assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset or cash-generating unit ("CGU") may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any indication exists, or when annual impairment testing for an asset or CGU is required, the Company estimates the recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use ("VIU"). Where the carrying value of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered to be impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU, using an appropriate valuation model. These calculations are corroborated by calculation multiples or other available fair value indicators.

Impairment losses are recognized in the consolidated statements of loss and comprehensive loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses no longer exist or may be decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of loss and comprehensive loss.

(c) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance expense in the consolidated statements of loss and comprehensive loss.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at February 29, 2024 and February 28, 2023, the Company had no material provisions.

(d) Income Taxes

Income tax comprises of current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Estimates

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(e) Share Capital

In situations where the Company issues units, the value of units is bifurcated and the value of warrants is included as a separate reserve for warrants of the Company's equity. The proceeds from the issuance of units are allocated between common shares and warrants on a pro-rated basis using the relative fair value method. The fair value of the common shares is determined using the share price at the date of issuance of the units. The fair value of the warrants is determined by the application of the Black-Scholes valuation model ("Black-Scholes").

(f) Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

(g) Share-Based Payments Transactions

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of options is determined using Black–Scholes. The fair value of equity-settled share-based transactions are recognized as an expense with a corresponding increase in share-based payments reserve.

The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Amounts recorded for forfeited or expired unexercised options are transferred to accumulated deficit in the period of forfeiture or expiry. Expired warrants are also transferred to accumulated deficit.

(h) Loss Per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

(i) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(n) Significant Accounting Judgments and Estimates

The preparation of these consolidated 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 its 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. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows and the Company's cash position at year-end.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated 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 are 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.

Determination of fair value hierarchy

The categorization of the fair value measurement into one of the three different levels shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Judgment is required in assessing the significance of a particular input to the fair value measurement in its entirety, taking into account factors specific to the asset or liability.

The use of a valuation model precludes the use of Level 1. However, the fair value hierarchy prioritizes the inputs to valuation techniques, not the valuation techniques that the respective models used to measure fair value. The level within the hierarchy is determined based on the valuation inputs, not on the methodology or complexity of the model. The use of a model does not automatically result in a Level 3 fair value measurement.

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of 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. Changes in these assumptions affects the fair value of the options and the amount of stock-based compensation to be recognized in profit or loss over the vesting period.

Income taxes

Management uses estimates when determining deferred income assets. These estimates are used to determine the recoverability of non-capital tax loss carry-forwards and other tax amounts. Significant judgment is required to determine the probable future cash flows in order to recognize the deferred tax asset. Changes in market conditions, changes in tax legislation, and other factors, could adversely affect the ongoing value of deferred tax assets. The carrying amount of deferred income tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to utilize all or part of the deferred income tax assets. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it is probable that there will be sufficient taxable income for the asset to be recovered.

Litigation risk and claims risk

Disputes are common in the industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. The Company must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required. Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties.

Management regularly analyzes current information about these matters, and external legal counsel are often used for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

Adoption of New Accounting Policies

The Company adopted the following amendments, effective September 1, 2022. These changes were made in accordance with the applicable transitional provisions. There was no material impact upon adoption of these amendments on the Company's consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements ("IAS 1") and IFRS Practice Statement 2 Making Materiality Judgements

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board ("CPA Canada Handbook – AcSB") in June 2021. The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by:

- Replacing the requirement to disclose "significant" accounting policies under IAS 1 with a requirement to disclose "material" accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that primary users of general-purpose financial statements make on the basis of those financial statements; and
- Providing guidance in IFRS Practice Statement 2 to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments shall be applied prospectively.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amended IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. The Company early-adopted these amendments as permitted.

(r) Recent Accounting Pronouncements

At the date of authorization of these consolidated financial statements, the IASB and the IFRIC have issued the following amendments which are effective for annual periods beginning on or after September 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company had assessed that the adoption of the following amendments will not have any material impact on its consolidated financial statements:

Amendments to IFRS 16 – Leases

In September 2022, the IASB issued amendments to IFRS 16 *Leases* to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale.

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The IASB has not prescribed a particular method for measuring the lease liability. A seller-lessee must apply the amendments retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

IAS 1 – Presentation of Financial Statements

In October 2022, the IASB issued amendments to IAS 1 requiring an entity to disclose, in specified circumstances, information in the notes that enables financial statement users to understand the risk that non-current liabilities with covenants could become repayable within 12 months after the reporting period. As part of the amendments, a provision was added to clarify that only covenants that an entity must comply with on or before the reporting date would affect a liability's classification as current or non-current, even if compliance with the covenant is only assessed after the entity's reporting date. Covenants which an entity must comply with after the reporting date would not affect classification of a liability as current or non-current at the reporting date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

IAS 12 – Income Taxes

In May 2023, the IASB issued amendments to IAS 12 Income Taxes. The amendments introduce a temporary exemption from accounting for deferred taxes arising from the implementation of the Organization for Economic Co-operation and Development's ("OECD") Piller Two model rules and provide disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.

Contingencies

During the year ended August 31, 2019, a lawsuit was filed against the Company by a former employee for a claim of approximately $815,000. The Company believes the employment was terminated for cause. Since it presently is not possible to determine the outcome of this matter, no provision has been made on the consolidated financial statements.

On February 26, 2024, the Company signed an employment agreement with an employee. Under the employment agreement, the Company committed to granting 225,000 options to the employee. As of February 29, 2024, and the date of this financial statement, these options have not been issued.

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business. Management is of the opinion, based on information currently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect to the Company's consolidated financial position, liquidity, or results of operations.

Risk Factors

The Company's overall performance and results of operations are subject to a number of risks and uncertainties. The Company is subject to certain risks and uncertainties from both financial and operational factors. Some of the key risks are highlighted as follows:

Going concern risk

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

During the three and six months ended February 30, 2023, the Company reported a net loss and comprehensive loss of $234,969 and $321,751 (2023 – income of $1,834,584 and $1,628,319). As at February 29, 2024 and February 28, 2023, the Company had a working capital of $2,424,853 (2023 – $2,708,004) and an accumulated deficit of $22,529,901 (2023 – $22,490,613). The Company's ability to continue as a going concern is dependent upon the Company finding an acquisition target and 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. It is not possible to predict whether financing efforts will continue to be successful in the future. Failure to obtain new financing could result in delay or indefinite postponement of the Company's strategic goals and represent material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern.

Additional financing

The Company believes that it has sufficient capital to meet its presently anticipated working capital and capital expenditure requirements for the near future. This belief is based on its operating plan which, in turn, is based on assumptions, which may prove to be incorrect. In addition, the Company may need to raise significant additional funds sooner to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing to meet its plans for expansion. There is no assurance that additional financing, if needed, will be available on acceptable terms or at all.

Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Volatile global financial and economic conditions

Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values.

Reliance on management and key personnel

The Company's success and future operations are dependent upon the abilities, expertise, experience, judgment and efforts of senior management and key technical and field personnel of the Company. Any loss of the services of these personnel could have a materially adverse impact on the Company's business, technical capabilities, operating results or financial condition or could result in delays to or abandonment of the Company's projects.

Private or illiquid securities

The Company invests in securities of private issuers with a near term plan to complete a going public transaction. Investments in private issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for a private company investment or that the Company will otherwise be able to realize a return on such investments. The Company may also invest in illiquid securities of public issuers. A period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company will be unable to realize the Company's investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy.

Limited market for securities

There can be no assurance that an active and liquid market for the Company's common shares will develop or be maintained, and an investor may find it difficult to resell any securities of the Company.

The market price of securities is volatile and may not accurately reflect the long-term value of the Company

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of common shares or Warrants to sell their securities at an advantageous price. Market price fluctuations in the common shares and Warrants may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the shares and warrants.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares and warrants may decline even if the Company's investment results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in investment values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the shares and warrants may be materially adversely affected.

Internal controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company's common shares.

Liability for activity of employees, contractors and consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims or regulatory enforcement actions against the Company. Failure to comply with relevant laws could result in fines, suspension of licenses and civil or criminal action being taken against the Company. Consequently, the Company is subject to certain risks, including the risk that employees, contractors and consultants may inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition of the Company.

Disclosure of Internal Controls over Financial Reporting

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited financial statements; and (ii) the audited consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. In contrast to non-venture issuers this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

Caution Regarding Forward-Looking Information

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action, and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results, the impact of changes in accounting policies and other factors on our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct, and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to our ability to generate revenue and cash flows from operations, market fluctuations, the strength of the Canadian, and other economies, political and economic conditions in the regions where the Company's main businesses are operated, and other risks included elsewhere in this MD&A under the headings "Risk Factors" and "Financial Instruments and Risk Management" and in the Company's other public disclosure documents filed with certain Canadian securities regulatory authorities and available under UPI's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Management’s Responsibility for Financial Information

Management is responsible for all information contained in this MD&A. The Q2 2024 Financials have been prepared in accordance with IFRS and include amounts based on management’s informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the Q2 2024 Financials in all material aspects.

The Audit Committee has reviewed the Q2 2024 Financials and this MD&A with management of UPI. The Board of the Company has approved the Q2 2024 Financials and this MD&A on the recommendation of the Audit Committee.

Additional Information

Additional information relating to UPI, including its annual management information circular for the Company’s most recently completed financial year, is available under the Company’s profile on SEDAR+ at www.sedarplus.ca.

April 19, 2024

Jeff Berman

Chief Executive Officer

Universal PropTech Inc.

Management's Discussion and Analysis

For the Year ended August 31, 2023

The following is the Management's Discussion and Analysis ("MD&A") of the results of operations and financial condition of Universal PropTech Inc. ("UPI", "we" or the "Company") as at and for the year ended August 31, 2023. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A is supplemental to and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended August 31, 2023 and 2022 (the "2023 Financials"). The 2023 Financials and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All figures are expressed in Canadian dollars unless stated otherwise.

This MD&A also covers the subsequent period up to December 19, 2023.

Description of Business

UPI was incorporated under the *Canada Business Corporation Act* on August 22, 2008. The address of the Company's corporate office is Suite 2905, 77 King Street West, Toronto, Ontario, Canada, M5K 1H1. The Company's common shares are listed on the TSX Venture Exchange under the ticker symbol "UPI". The Company's common shares are also listed in the United States on the OTCQB Venture Market under the ticker symbol "UPIPF", and in Germany on the Frankfurt Stock Exchange under the ticker symbol "8LH".

UPI is currently focused on evaluating acquisition opportunities in order to enhance shareholder value. On January 31, 2023, the Company closed the sale of all of the issued and outstanding shares of VCI Controls Inc. ("VCI") (the "Transaction"), a supplier of building technologies and services that improve comfort, safety, energy efficiency, and occupant productivity, including the integration of all building systems utilizing the latest in communications technologies and standards.

Corporate Developments

Investment in ISBRG

In February 2021, the Company acquired an approximate 2% interest in ISBRG Corp. ("ISBRG") by subscribing for Class A Common Shares of ISBRG for $1,000,000. The investment was recorded at fair value at initial recognition.

ISBRG is a data analytics company which has developed the SpotLight© technology platform designed to generate comprehensive health care data non-invasively within seconds at a nominal incremental cost per test. ISBRG's SpotLight-19© is designed to detect the presence of infection caused by SARS-CoV-2 virus. SpotLight-19© uses light to quickly scan a fingertip. The speed and cost of the test, combined with its non-invasive nature, has been designed to screen large numbers of people in largely populated venues without the prohibitive delays, cost and environmental damage associated with current chemical reagent, sample-based tests. The outcome of ISBRG's clinical trial data has been rejected by Health Canada during the year ended August 31, 2023.

As at August 31, 2023, the Company assessed the investment for indicators of impairment, from the date of acquisition up to the end of the reporting period based on a qualitative assessment of all information available to management and determined that a fair value adjustment of the investment is justified.

<u>Agency Terms</u>

UPI will act as the exclusive sales agent for the SpotLight-19© technology and other future platform offerings for the government and education sectors in Canada. UPI will have the exclusive rights to sell SpotLight-19© to any and all governmental facilities in Canada (subject to the exclusion of certain segments), including federal, provincial, territorial and municipal facilities, as well as Canadian primary, secondary and post-secondary education facilities (both private and public). ISBRG will pay UPI a defined commission on the annual sub license fee paid by each customer, and a commission on each test fee. The SpotLight-19@ technology is subject to approval of Health Canada.

Sale of VCI

On December 2, 2022, the Company entered into a share purchase agreement (the "Share Purchase Agreement") with Dexterra Group Inc. ("Dexterra" or the "Purchaser") that provides for the Transaction, which closed on January 31, 2023 (see "Discontinued Operations" for more details). The Board of Directors (the "Board") of UPI has unanimously determined that the Transaction is in the best interests of the Company and is fair to its shareholders, who voted in favor of the Transaction.

The Transaction is a significant and positive recognition of the history and value of the Company and most importantly its employees. Dexterra is a large and dynamic organization that can make a meaningful investment to grow VCI, service its customers and present opportunities to staff for many years to come. Moreover, current market conditions for small cap service companies, and the ability to raise capital in the current environment to further develop and expand the Company's proptech business had been uncertain. Accordingly, management and the Board determined that it was a good opportunity to realize a return on its proptech business.

Acquisition Strategy

The Company intends to use the cash from the VCI sale for acquisition of or investment in exciting businesses with rapid growth potential. In this regard, the Company will assess opportunities for acquisition or investment based on one or more of the following criteria:

- Rapid growth potential;
- Sector agnostic, but will favor businesses with leverageable growth prospects;
- Preference to EBITA producing and cash flow positive businesses;
- Early revenue businesses will be considered but only where product offerings are de-risked and beyond proof of concept;
- Businesses with strong management teams;
- Management buy-outs will be considered favorably; and/or
- Acquisition of companies in distress due to overleveraging and the recent higher interest rate environment.

The Company will not limit the scope of its consideration to the property technology sector, but instead, will undertake an opportunistic review of potential acquisitions in a variety of industries. The Company may make multiple investments and also expects to deploy its common shares to secure acquisition opportunities.

Annual General Meeting

On May 31, 2023, the Company hosted its Annual General & Special Meeting of Shareholders (the "AGM") and announced the results of matters voted on at the AGM. Chris Hazelton, Al Quong and Brian Presement were (re)elected to the Board.

Management Change

On July 14, 2023, Chris Hazelton resigned as President, Chief Executive Officer and director of UPI. The Company announced that Mr. Jeffrey Berman's appointment as President, Chief Executive Officer and director.

On August 15, 2023, the Company announced the resignation of Brian Presement and the appointment of Brian Illion as new director. In addition, the Company also announced the appointment of Amy Stephenson as Chief Financial Officer to fill the vacancy left by the resignation of Keith Li.

Proposed Transaction

On September 15, 2023, the Company entered into a binding letter of intent ("LOI") with Xemoto Media Ltd ("Xemoto"), a private Ontario company, to acquire all of the issued and outstanding securities of Xemoto whereby securityholders of Xemoto will receive UPI securities in exchange for their Xemoto securities at a ratio of one Xemoto shares for 0.225 of UPI shares. Xemoto is an influencer marketing platform focused on helping publicly traded companies better connect with customers. Its proprietary digital technology is designed to engage investors, B2B and B2C audiences. Concurrent with the announcement of the LOI, the Company halted the trading of the common shares of the Company pursuant to stock exchange requirements.

Loan Agreement

On October 20, 2023, pursuant to the LOI, UPI and Xemoto entered into a loan agreement whereby UPI advanced $250,000 to Xemoto by way of a subordinated secured convertible debenture ("Debenture") and a General Security Agreement. The Debenture is subordinated only to the first position of Business Development Bank of Canada, carries an interest of 15% per annual and matures on the earlier of: (i) the closing of the Acquisition; (ii) the termination of the LOI; or (iii) on March 24, 2024.

Financial Information

Selected annual information

The Company's selected annual financial information as at and for the three most recently completed financial years ended August 31 are summarized as follows:

	2023	2022	2021
	$	$	$
Total revenue	-	7,942,950	8,817,673
Net loss from continuing operations	(2,458,578)	(1,125,200)	(1,090,377)
Net loss and comprehensive loss	(79,915)	(619,152)	(1,090,377)
Net loss per share	(0.05)	(0.02)	(0.03)
Total assets	3,343,270	5,503,606	6,127,137
Long-term liabilities	-	162,640	307,786

Selected quarterly financial information

The Company's selected financial results for the eight most recently completed quarters are as follows:

	Q4 2023	Q3 2023	Q2 2023	Q1 2023
	$	$	$	$
Income (loss) from continuing operations	(1,560,459)	(147,775)	(544,079)	(206,265)
Revenue from discontinued operations	-	-	1,446,325	1,749,619
Income from discontinued operations	-	-	2,431,547	(52,884)
Net income (loss) and comprehensive income (loss)	(1,798,642)	(147,775)	2,125,651	(259,149)
Basic net income (loss) per share – continuing operations	(0.04)	(0.00)	(0.01)	(0.00)
Basic net income per share – discontinued operations	0.00	0.00	0.05	(0.00)

	Q4 2022	Q3 2022	Q2 2022	Q1 2022
	$	$	$	$
Loss from continuing operations	(334,427)	(206,195)	(314,423)	(270,155)
Revenue from discontinued operations	2,092,497	1,736,756	1,701,378	2,412,319
Income from discontinued operations	19,116	89,152	139,152	296,860
Net income (loss) and comprehensive income (loss)	(353,543)	(117,043)	(175,271)	26,705
Basic net (loss) per share – continuing operations	(0.01)	(0.00)	(0.01)	(0.00)
Basic net income per share – discontinued operations	0.00	0.00	0.00	0.00

Results of Operations for the Three Months ended August 31, 2023

Continuing Operations

During the three months ended August 31, 2023 ("Q4 2023"), the Company reported a net loss from continuing operations of $1,560,459 (2022 – net loss of $334,427). The net loss is primarily comprised of a fair value adjustment of the investment in ISBRG Corp. of $1,000,000 as well as the general and administrative ("G&A") expenses of $592,196 (2022 – $266,809), which are offset by interest income of $32,162 (2022 – $nil). Included in G&A expenses for the current quarter are the following items:

- Professional and consulting fees of $170,507 (2022 – $134,349);
- Salaries and wages of $386,068 (2022 – $88,805) an increase of $297,263 from the same period last year due to bonus payment made to the Chief Executive Officer of $317,082 in Q4 2023;
- Office expenses of $20,146 (2022 – $25,294);
- Travel expenses of $15,475 (2022 – $8,362), and
- Marketing and sales expenses of $nil (2022 – $9,999).

During Q4 2023, the Company has the following one-time transactions:

- Fair value adjustment of the investment in ISBRG of $1,000,000
- Received of holdback from sale of VCI of $500,000
- Post-closing working capital adjustment reducing the gain on sale of subsidiary by $27,000.

During Q4 2023, the Company did not participate in any financing activities from its continuing operation and had no cash flow from discontinued operations in Q4 2023.

Results of Operations for the Twelve Months ended August 31, 2023

Continuing Operations

During the twelve months ended August 31, 2023, the Company reported a net loss from continuing operations of $2,458,578 (2022 – net loss of $1,125,200). Income from discontinued operations was $2,378,663 (2022 - $506,048) primarily due to a one-time gain on the sale of VCI of $2,089,555 and interest income of $76,881 (2022 – $nil), which are offset by G&A expenses of $1,534,405 (2022 – $1,020,381). Included in G&A expenses are the following items:

- Salaries and wages of $960,753 (2022 – $375,786);
- Professional and consulting fees of $404,628 (2022 – $460,760);
- Office expenses of $123,805 (2022 – $125,829);
- Travel expenses of $38,553 (2022 – $22,174), and
- Marketing and sales expenses of $6,666 (2022 – $35,832).

Discontinued Operations

During the twelve months ended August 31, 2023, the Company generated total revenue of $3,199,537 through VCI up to the sale of the former subsidiary, as compared to total revenue of $7,942,950 for the year ended 2022. Cost of sales related to direct materials and expenditures for products and services sold also decreased in proportion with revenue, down $3,349,860 to $2,252,842 (2022 – $5,575,702). Gross margin for the discontinued operations was approximately 30.4% for the period up to the sale of VCI (2022 – 29.8%).

During the twelve months ended August 31, 2023, VCI incurred total G&A expenses of $713,703 up to its sale, as compared to total G&A expenses of $1,913,074 in the comparative period. VCI's G&A expenses were primarily related to the following items:

- Salaries and wages of $453,370 (2022 – $1,150,228).
- Office expenses of $115,869 (2022 – $402,033); and
- Professional fees of $3,100 (2022 – $90,682).

During the twelve months ended August 31, 2023, amortization and depreciation of $99,171 (2022 – $248,361) was recorded on VCI's property and equipment, and right-of-use assets, on leased buildings and vehicles. Total amortization and depreciation decreased in the current period as it was only recorded up to the sale of VCI.

Overall, VCI reported a net income of $2,378,663 (2022 – net income of $506,048) which is included in income from discontinued operations on the Company's consolidated statements of income (loss) and comprehensive income (loss) for the twelve months ended August 31, 2023.

Cash flows

During the twelve months ended August 31, 2023, net operating cash used in continuing operations was $1,447,113 (2022 – $976,606), for an increase in spending of $470,507. While management has been managing its use of cash based on the current economic climate, it had also paid off certain obligations prior to the sale of VCI, which it had continued to do so post-Transaction. On the other hand, VCI's operations continued to generate revenue as business had recovered since the end of 2021, the Company was able to secure new contracts. During the current period, operating cash inflow provided by VCI was $33,631 up to the sale of the former subsidiary, as compared to cash inflow of $1,156,922 in the comparative period.

During the twelve months ended August 31, 2023, the Company did not participate in any financing activities from its continuing operations, while it generated proceeds of $90,743 received from exercises of warrants in the comparative period. Through VCI, it incurred $110,381 from financing activities from discontinued operations primarily from finance lease payments (2022 – $271,286).

During the twelve months ended August 31, 2023, the Company received cash inflow of $3,229,034 (2022 – $40,263), comprised of proceeds of $4,331,670 from the sale of VCI. It also purchased and subsequently redeemed a principal of $3,150,000 from certain short-term GICs, which had since been deposited into new short-term deposits classified under cash and cash equivalents. The cash inflow was also offset by cash of $589,041 from VCI relinquished on closing and incurred transaction costs totaling $513,595.

Liquidity and Capital Resources

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. As at August 31, 2023, the Company had a working capital of $2,708,004 (August 31, 2022 – $1,964,323). Working capital provides funds for the Company to meet its operational and capital requirements. With the closing of the Transaction, the Company received a large sum of cash injection from the sales proceeds.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, the 12-month period from the end of the reporting period. Management is aware in making its assessment of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Company has taken and continues to take steps to reduce these losses and ultimately become profitable.

Discontinued Operations

On December 2, 2022, the Company and Dexterra entered into the Share Purchase Agreement in respect of the sale of all of the issued and outstanding shares (the "Purchased Shares") of VCI.

On January 31, 2023 (the "Closing Date"), the Company completed the Transaction. Pursuant to the terms of the Share Purchase Agreement, the Company agreed to sell, transfer and assign the Purchased Shares to the Purchaser for the aggregate purchase price (the "Purchase Price") payable in cash, subject to certain holdbacks (the "Holdback Amount") and adjustments as set out in the Share Purchase Agreement, calculated as follows:

(a) $4,000,000;
(b) plus the amount of cash held by VCI on closing of the Transaction (up to a maximum of $750,000);
(c) less the amount of indebtedness of VCI;
(d) less the amount of any transaction costs invoiced to VCI that remain payable as of the Closing Date;

(e) plus the amount (if any) of net working capital (as calculated in accordance with the Share Purchase Agreement) at the Closing Date ("Net Working Capital") that is greater than $1,250,000 (the "Net Working Capital Target"), and
(f) less the amount (if any) by which the Net Working Capital is less than the Net Working Capital Target.

On closing, the Purchase Price, net of all estimated adjustments of $3,819,929, was paid to the Company. On August 31, 2023, $27,000 was recorded in accounts payable to the Purchaser for amounts owing for Net Working Capital.

Pursuant to the terms of the Share Purchase Agreement along with an indemnity agreement dated December 2, 2022 (the "Indemnity Agreement"), a portion of the Holdback Amount shall be held by the Purchaser for a period of 12 months following closing, subject to any pending claims at the end of such period, in which case, such amounts will be held until full and final settlement, final non-appealable judgement or final termination of such pending claims. A separate portion of the Holdback Amount shall be held by the Purchaser until the full and final settlement, final non-appealable judgement or final termination of certain identified legal proceedings involving VCI and are subject to release in accordance with the provisions of the Indemnity Agreement.

	$
Consideration Received	
Gross purchase price	4,000,000
Cash held by VCI on closing	589,041
Net Working Capital Adjustment	222,630
Total Consideration	**4,811,671**
Carrying amount of investment in VCI	(1,381,250)
Derecognition of VCI's net assets on closing	(827,271)
Costs of disposal	(513,595)
Gain on Sale on Subsidiary	**2,089,555**

As at August 31, 2023, pursuant to the Share Purchase Agreement on post-closing working capital adjustments was determined by Dexterra to be $27,000 due to Dexterra. The Company incurred total transaction costs of $487,085 in relation to the Transaction during the year.

Financial results relating to the discontinued operations for the twelve months ended August 31, 2023 and 2022 are summarized as follows:

	Year ended August 31,	
	2023	2022
	$	$
Revenue (Note 16)	**3,199,537**	7,942,950
Cost of sales	**(2,252,842)**	(5,575,702)
Gross profit	**946,695**	2,367,248
Total expenses	**(713,703)**	(1,913,074)
Income from discontinued operations before tax	**232,992**	454,174
Income tax	**56,116**	51,874
Gain on sale of subsidiary	**2,089,555**	-
Income from Discontinued Operations, Net of Tax	**2,378,663**	506,048

The net cash flows from discontinued operations incurred by VCI presented on the consolidated statements of cash flows for the twelve months ended August 31, 2023 and 2022 are summarized as follows:

	Year ended August 31,	
	2023	2022
	$	$
Net cash flows		
Provided by operating activities	33,631	1,156,922
(Used in) financing activities	(110,381)	(271,286)
Provided by investing activities	-	40,263
Net Increase in Cash Flows from Discontinued Operations	(76,750)	925,899

Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain optimal returns to shareholders and benefits for its stakeholders. The Company's capital consists of debt and equity. Its principal sources of cash are from operations, and the issuance of common shares and debt. Management intends to maintain a flexible capital structure consistent with the objectives mentioned above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, raise secured debt or refinance existing debt with different characteristics.

The Board of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the management team to sustain the future development of the business.

The Company's capital management objectives, policies and processes have remained unchanged since its most recent financial reporting period.

Financial Instruments and Risk Management

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.

Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. 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 for short or long-term financing of its operations, or sale of assets.

As at August 31, 2023, the contractual maturities of the Company's financial liabilities are as follows:

	Less than 1 year	**1 to 3 years**	**3 to 5 years**	**Total**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	255,266	-	-	**255,266**
Total	255,266	**-**	**-**	**255,266**

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash and cash equivalents are held with a reputable chartered Canadian financial institution, and in trust with the Company's legal counsel. Management reviews the strength of these institutions on a regular basis and believes that the credit risk concentration with respect to cash is minimal. The Company's accounts receivable balance is subject to minimal credit risk.

The Company's aging of accounts receivable as at August 31, 2023 is as follows:

Accounts Receivable Aging	**August 31, 2023**	August 31, 2022
	$	$
Within 30 days	**34,035**	1,225,678
31 to 60 days	**-**	570,291
61 to 90 days	**-**	267,401
Over 90 days	**-**	281,151
Holdbacks	**-**	120,132
Allowance for expected credit loss	**-**	(8,576)
Total Accounts Receivable	**34,035**	2,456,077

The maximum exposure is limited to the carrying amount of financial assets on the consolidated statements of financial position that includes cash and cash equivalents and accounts receivable. As at August 31, 2023, no allowance of expected credit losses ("ECL") was included in accounts receivable (August 31, 2022 – allowance for ECL of $8,576 was netted against accounts receivable).

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. The Company's convertible debentures have fixed interest rates. As at August 31, 2023, the Company had no hedging agreements in place with respect to floating interest rates.

Foreign exchange risk

The Company makes purchases from time to time in United States dollars ("USD") and does not currently engage in hedging activities. Accordingly, the Company may be exposed to foreign exchange risk on a portion of its accounts payable and accrued liabilities. However, the foreign exchange exposure to the Company at this time is not significant.

Categories and fair value of financial instruments

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. As at August 31, 2023, the Company's financial instruments consisted of cash and cash equivalents, accounts receivable, other receivables, prepaid expenses and accounts payables and accrued liabilities. The fair values of these financial instruments 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).

The Company had determined that the investment it held in ISBRG Corp. did not have an active market and any observable inputs directly or indirectly from quoted prices of a similar asset in markets which are not active. As such, the Company classified this investment as Level 3 input under the fair value hierarchy. The Company assessed the investment for indicators of impairment as at August 31, 2023, based on both qualitative and quantitative information provided to the Company and determined that the fair value of the investment should be adjusted based on the following reasons : (i) Health Canada has not approved of the SpotLight-19©; (ii) market changes relating to the end of COVID as a pandemic; (iii) assessment of near term revenue generation ability from ISBRG's other products in the absence of Health Canada approvals; (iv) lack of reliability of government funding; and (v) a review of other relevant information available to the Company.

Related Party Transactions

In accordance with IAS 24 – Related Party Disclosures, 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 of the Board.

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

	2023	2022
	$	$
Management remuneration	**1,243,009**	359,288
Professional fees	**68,516**	67,000
Directors' fees	**6,500**	6,000
Stock-based compensation (Note 10)	**-**	76,001
	1,318,025	508,289

Management remuneration

Remuneration of key management personnel of the Company for the year ended August 31, 2023 included short-term compensation of $1,243,009 (2022 – 258,750) for the Company's Chief Executive Officer ("CEO") and $Nil (2022 - $100,538) for the Company's former Chief Growth Officer ("CGO"). As at August 31, 2023, no balance was owed to the CEO and the CGO (August 31, 2022 – $nil). On August 31, 2023, the Company also accrued $1,250 (2022 - $Nil) for its new Chief Financial Officer.

Professional fees

During the year ended August 31, 2023, Branson Corporate Services Ltd. ("Branson"), where the former Chief Financial Officer ("CFO") of UPI is employed, charged fees of $67,265 (2021 – $67,000), for providing CFO services to the Company, as well as other accounting and administrative services. As at August 31, 2023, $5,875 (August 31, 2022 – $6,309) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Directors' fees

During the year ended August 31, 2023, directors of the Company were paid compensation benefits of $6,500 for services rendered (2022 – $6,000), which was charged to salaries and wages with G&A expenses. As at August 31, 2023, no balance was owed to any directors in relation to the fees (August 31, 2022 – $nil).

Stock-based compensation

During the year ended August 31, 2023, officers and directors of the Company received stock-based compensation of $Nil (2022 – $76,001) on vesting of options granted.

Subsequent Event

On September 18, 2023, the Company signed a Letter of Intent ("LOI") for the acquisition ("Acquisition") of all the issued and outstanding securities of Xemoto Media Ltd. ("Xemoto") by way of amalgamation whereby shareholders of Xemoto shall receive 0.225 of a common share of the Company at a deemed price of $0.05 per share of the Company. Any outstanding warrants, broker warrants, options and RSUs of Xemoto on closing will be exchanged for common share purchase warrants, broker warrants, options and RSUs equal to 0.225 warrants and options of the Company at the same terms and conditions including exercise price. Any outstanding debentures of Xemoto will be exchanged for debenture of the Company on terms and conditions, including conversion price.

On October 20, 2023, pursuant to the LOI, the Company entered into a subordinated secured debenture ("Debenture") and a General Security Agreement ("GSA") whereby the Company will loan $250,000 to Xemoto. The Debenture is subordinated only to the first position of Business Development Bank of Canada, carries an interest of 15% per annual and matures on the earlier of: (i) the closing of the Acquisition; (ii) the termination of the LOI; or (iii) on March 24, 2024.

On October 27, 2023, 270,000 options exercisable at $0.30 per share expired unexercised.

On November 28, 2023, the Company signed a consulting agreement with Jeffrey Berman, the CEO of the Company for a monthly consulting fee of $4,000 commencing September 1, 2023 for a period of six months.

Outstanding Share Data

As at the date of this MD&A, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of UPI are as follows:

Common Shares	Number Outstanding
Issued and Outstanding	49,217,408
Issuable under Options	2,318,000
Issuable under Warrants	-

Summary of Significant Accounting Policies

(a) Revenue Recognition

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of control of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, revenue is recognized as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

The Company derives revenue from construction contracts which require performance over a time span which may extend beyond one or more accounting periods. The Company recognizes revenue on construction contracts using the percentage-of-completion method. Contract revenue is based on the initial amount agreed in the contract plus any variations in contract if they can be estimated reliably. The percentage-of-completion of a contract is determined by reference to actual costs of work performed and estimates of remaining work to be completed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in the consolidated statements of loss and comprehensive loss.

On an ongoing basis, the estimated total costs for construction contracts are revised based on the information available at the end of the reporting period. Changes in estimated total costs are reflected in the percentage-of-completion calculation of applicable projects in the same period as the change in estimate occurs. Unbilled revenue represents revenue earned in excess of amounts billed on uncompleted contracts. Deferred revenue represents the excess of amounts billed to customers over revenue earned on uncompleted contracts.

Change orders and claims, referred to as contract modifications, are accounted for under IFRS 15, based, among other factors, on the fact that the contract modification is approved, and it is highly probable that a significant reversal in the amount of cumulative revenue recognized on such contract modifications will not occur when the uncertainty is subsequently resolved.

Service revenue is recognized when services have been performed and collection of the receivable is reasonably assured.

Product revenue and repairs revenue are recognized when control is transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits will be received, and the costs incurred or to be incurred can be measured reliably.

(b) Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

On initial recognition, the Company determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss ("FVTPL")
3. Measured at fair value through other comprehensive income ("FVTOCI")

The classification under IFRS 9 – Financial Instruments ("IFRS 9") is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met: (i) held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's classification of financial assets and financial liabilities under IFRS 9 are summarized below:

Cash	Amortized cost
Investment	FVTPL
Accounts receivables, excluding HST	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance lease obligations	Amortized cost

Measurement

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition. Transaction costs related to FVTPL assets and liabilities are expensed as incurred.

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

FVTPL – Changes in fair value after initial recognition, whether realized or not, are recognized through profit or loss. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

FVTOCI – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an ECL model. The ECL model requires the Company to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition.

The Company has applied the simplified approach to recognize lifetime ECL for its accounts receivable. In general, the Company anticipates that the application of the ECL model of IFRS 9 results in earlier recognition of credit losses for the respective items.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred.

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

Gains or losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Determination of fair value

The determination of fair value requires judgment and is based on market information, where available and appropriate. 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).

Level 1 inputs are unadjusted quoted prices, in active markets for identical assets or liabilities that the entity can access at the measurement date. For a price to qualify as Level 1, the Company should be able to obtain the price from multiple sources as a single market maker would almost by definition suggest an inactive market. Level 1 inputs related to items traded on an exchange or an active index/market location.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, which include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active, for example, dealer markets where the dealer is standing ready and able to transact at that price such as an OTC market;
- Broker quotes corroborated with observable market information;
- Inputs other than quoted prices are observable for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads, etc.

Examples of Level 3 values include:

- Inputs obtained from broker quotes or a pricing service that are indicative (that is, not being transacted upon) and not corroborated with observable market data; and
- Models that incorporate management assumptions that cannot be corroborated with observable market data.

The Company determined that the investment that it held in ISBRG (defined hereafter) did not have an active market and any observable inputs directly or indirectly from quoted prices of a similar asset in markets which are not active. As such, the Company had classified this investment as Level 3 inputs under the fair value hierarchy.

(c) Inventories

Inventories are valued at the lower of cost and net realizable value.

The costs incurred to bring each product to its present location and condition are accounted for as (i) raw materials, (ii) equipment, and (iii) spare parts – purchased cost on a first in, first out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(d) Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment. Likewise, when a major inspection is performed, its cost is recognized in the carrying value of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of loss and comprehensive loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a declining balance basis over the expected useful life of the asset at the following rates:

Office furniture and equipment	10 to 20%
Computer equipment	30 to 40%
Job equipment	20 to 30%
Vehicles	20 to 30%
Leasehold improvements	Straight-line over the expected lease term

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed on an annual basis and adjusted prospectively if appropriate.

(e) Leased Assets

The Company primarily leases office facilities, equipment and vehicles. The Company assesses service arrangements to determine if an asset is explicitly or implicitly specified in the agreement and if the Company has the right to control the use of the identified asset.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company then recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. The Company elected to recognize expenses for leases with a term of 12 months or less on a straight-line basis over the lease term and lease of assets of low value, and not to recognize these short-term leases on the consolidated statements of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, the amount of the remeasurement is recognized as a corresponding adjustment to the carrying amount of the ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

(f) Impairment of Non-Financial Assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset or cash-generating unit ("CGU") may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any indication exists, or when annual impairment testing for an asset or CGU is required, the Company estimates the recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use ("VIU"). Where the carrying value of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered to be impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU, using an appropriate valuation model. These calculations are corroborated by calculation multiples or other available fair value indicators.

Impairment losses are recognized in the consolidated statements of loss and comprehensive loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses no longer exist or may be decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of loss and comprehensive loss.

(g) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of the economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance expense in the consolidated statements of loss and comprehensive loss.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at August 31, 2022 and 2021, the Company had no material provisions.

(h) Income Taxes

Income tax comprises of current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Estimates

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(i) Share Capital

In situations where the Company issues units, the value of units is bifurcated and the value of warrants is included as a separate reserve for warrants of the Company's equity. The proceeds from the issuance of units are allocated between common shares and warrants on a pro-rated basis using the relative fair value method. The fair value of the common shares is determined using the share price at the date of issuance of the units. The fair value of the warrants is determined by the application of the Black-Scholes valuation model ("Black-Scholes").

(j) Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

(k) Share-Based Payments Transactions

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of options is determined using Black–Scholes. The fair value of equity-settled share-based transactions are recognized as an expense with a corresponding increase in share-based payments reserve.

The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Amounts recorded for forfeited or expired unexercised options are transferred to accumulated deficit in the period of forfeiture or expiry. Expired warrants are also transferred to accumulated deficit.

(l) Loss Per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

(m) Government Assistance

The benefits of tax incentives for government subsidy assistance are recognized in the year the qualifying claim is made providing there is reasonable assurance of recoverability. Grants and assistance are recorded based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities.

Government grants and assistance are recognized where there is a reasonable assurance that the grants and assistance will be received, and conditions will be complied with. Government grants and assistance are recognized in other income over the periods in which the Company recognizes expenses which the grants and assistance are intended to compensate.

(n) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(o) Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Management considers the corporate office and the CMC Division to be its operating segments, as both segments continue to engage in business activities. Their operating results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated and assess their performance, for which discrete financial information available to facilitate the review.

(p) Significant Accounting Judgments and Estimates

The preparation of these consolidated 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 its 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. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows and the Company's cash position at year-end.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated 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 are 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.

Determination of fair value hierarchy

The categorization of the fair value measurement into one of the three different levels shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Judgment is required in assessing the significance of a particular input to the fair value measurement in its entirety, taking into account factors specific to the asset or liability.

The use of a valuation model precludes the use of Level 1. However, the fair value hierarchy prioritizes the inputs to valuation techniques, not the valuation techniques that the respective models used to measure fair value. The level within the hierarchy is determined based on the valuation inputs, not on the methodology or complexity of the model. The use of a model does not automatically result in a Level 3 fair value measurement.

Allowances for expected credit losses

An ECL impairment model applies which requires a loss allowance to be recognized. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statements of loss and comprehensive loss.

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

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of 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. Changes in these assumptions affects the fair value of the options and the amount of stock-based compensation to be recognized in profit or loss over the vesting period.

Income taxes

Management uses estimates when determining deferred income assets. These estimates are used to determine the recoverability of non-capital tax loss carry-forwards and other tax amounts. Significant judgment is required to determine the probable future cash flows in order to recognize the deferred tax asset. Changes in market conditions, changes in tax legislation, and other factors, could adversely affect the ongoing value of deferred tax assets. The carrying amount of deferred income tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to utilize all or part of the deferred income tax assets. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it is probable that there will be sufficient taxable income for the asset to be recovered.

Percentage of completion

The Company measures the percentage of completion using the cost input method in accounting for its contract revenues which requires the Company to determine the contract work performed to date as a proportion of the estimated total contract work to be performed and it is management's judgment that use of the costs to date in proportion to the total estimated costs provides the most appropriate measure of percentage of completion.

Litigation risk and claims risk

Disputes are common in the industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. The Company must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required. Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties.

Management regularly analyzes current information about these matters, and external legal counsel are often used for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

Adoption of New Accounting Policies

The Company adopted the following amendments, effective September 1, 2022. These changes were made in accordance with the applicable transitional provisions. There was no material impact upon adoption of these amendments on the Company's consolidated financial statements.

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amended IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. The Company early-adopted these amendments as permitted.

(r) Recent Accounting Pronouncements

At the date of authorization of these consolidated financial statements, the IASB and the IFRIC have issued the following amendments which are effective for annual periods beginning on or after September 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company had assessed that the adoption of the following amendments will not have any material impact on its consolidated financial statements:

Amendments to IFRS 16 – Leases

In September 2022, the IASB issued amendments to IFRS 16 *Leases* to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale.

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The IASB has not prescribed a particular method for measuring the lease liability. A seller-lessee must apply the amendments retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted.

IAS 1 – Presentation of Financial Statements

In October 2022, the IASB issued amendments to IAS 1 requiring an entity to disclose, in specified circumstances, information in the notes that enables financial statement users to understand the risk that non-current liabilities with covenants could become repayable within 12 months after the reporting period. As part of the amendments, a provision was added to clarify that only covenants that an entity must comply with on or before the reporting date would affect a liability's classification as current or non-current, even if compliance with the covenant is only assessed after the entity's reporting date. Covenants which an entity must comply with after the reporting date would not affect classification of a liability as current or non-current at the reporting date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. An entity that applies these amendments early is also required to apply the January 2020 amendments at the same time, and vice versa.

IAS 12 – Income Taxes

In May 2023, the IASB issued amendments to IAS 12 Income Taxes. The amendments introduce a temporary exemption from accounting for deferred taxes arising from the implementation of the Organization for Economic Co-operation and Development's ("OECD") Piller Two model rules and provide disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.

Contingencies

During the year ended August 31, 2019, a lawsuit was filed against the Company by a former employee for a claim of approximately $815,000. The Company believes the employment was terminated for cause. Since it presently is not possible to determine the outcome of this matter, no provision has been made on the consolidated financial statements.

During the year ended August 31, 2022, a lawsuit was filed against the Company by a former employee for a claim of approximately $145,000. The Company believes the employment was terminated for cause. As at August 31, 2022, the Company determined that it was not possible to determine the outcome of this matter. Subsequent to year-end, the Company settled an amount of $40,000 on the lawsuit. As a result, the Company recorded a provision of $40,000 on the consolidated statements of financial position as at August 31, 2022 (August 31, 2021 – $nil).

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business. Management is of the opinion, based on information currently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect to the Company's consolidated financial position, liquidity, or results of operations.

Segmented Information

The Company's segments have been organized based on its principal business operations (Corporate, and Controls and Mechanical Contracting), all within Canada.

Year ended August 31, 2023	**Corporate**	**Controls and Mechanical Contracting**	**Total**
	$	**$**	**$**
Total assets	**3,220,270**	**-**	**3,220,270**
Statement of Operations			
General and administrative	**(1,534,405)**	**-**	**(1,534,405)**
Finance expense	**(1,054)**	**-**	**(1,054)**
Interest income	**76,881**	**-**	**76,881**
Write off investment	**(1,000,000)**	**-**	**(1,000,000)**
Discontinued operations	**-**	**2,378,663**	**2,378,663**
Segmented Income	**(2,458,578)**	**2,378,663**	**(79,915)**

Year ended August 31, 2022	**Corporate**	**Controls and Mechanical Contracting**	**Total**
	$	**$**	**$**
Total assets	1,327,122	4,176,482	5,503,604
Statement of Operations			
General and administrative (Note 17)	(1,020,381)	-	(1,020,381)
Share-based payments	(104,175)	-	(104,175)
Finance expense	(644)	-	(644)
Discontinued operations (Note 8)	-	506,047	506,047
Segmented Income	**(1,125,200)**	**506,047**	**(619,153)**

Risk Factors

The Company's overall performance and results of operations are subject to a number of risks and uncertainties. The Company is subject to certain risks and uncertainties from both financial and operational factors. Some of the key risks are highlighted as follows:

Going concern risk

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

During the year ended August 31, 2023, the Company reported a net loss of $79,915 (2022 – $619,152). As at August 31, 2023, the Company had a working capital of $2,708,004 (August 31, 2021 – $1,964,323) and an accumulated deficit of $22,490,613 (August 31, 2021 – $23,169,063). The Company's ability to continue as a going concern is dependent upon the Company finding an acquisition target and 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. It is not possible to predict whether financing efforts will continue to be successful in the future. Failure to obtain new financing could result in delay or indefinite postponement of the Company's strategic goals and represent material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern.

Additional financing

The Company believes that it has sufficient capital to meet its presently anticipated working capital and capital expenditure requirements for the near future. This belief is based on its operating plan which, in turn, is based on assumptions, which may prove to be incorrect. In addition, the Company may need to raise significant additional funds sooner to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing to meet its plans for expansion. There is no assurance that additional financing, if needed, will be available on acceptable terms or at all.

Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Volatile global financial and economic conditions

Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial

Reliance on management and key personnel

The Company's success and future operations are dependent upon the abilities, expertise, experience, judgment and efforts of senior management and key technical and field personnel of the Company. Any loss of the services of these personnel could have a materially adverse impact on the Company's business, technical capabilities, operating results or financial condition or could result in delays to or abandonment of the Company's projects.

Environmental liability

The Company will be subject to various environmental laws and regulations enacted in the jurisdictions in which it operates which govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in the Company's operations. There can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Company may have the benefit of insurance maintained by it or the operator, however, the Company may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

Private or illiquid securities

The Company invests in securities of private issuers with a near term plan to complete a going public transaction. Investments in private issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for a private company investment or that the Company will otherwise be able to realize a return on such investments. The Company may also invest in illiquid securities of public issuers. A period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company will be unable to realize the Company's investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy.

Limited market for securities

There can be no assurance that an active and liquid market for the Company's common shares will develop or be maintained, and an investor may find it difficult to resell any securities of the Company.

The market price of securities is volatile and may not accurately reflect the long-term value of the Company

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of common shares or Warrants to sell their securities at an advantageous price. Market price fluctuations in the common shares and Warrants may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the shares and warrants.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares and warrants may decline even if the Company's investment results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in investment values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the shares and warrants may be materially adversely affected.

Internal controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company's common shares.

Liability for activity of employees, contractors and consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims or regulatory enforcement actions against the Company. Failure to comply with relevant laws could result in fines, suspension of licenses and civil or criminal action being taken against the Company. Consequently, the Company is subject to certain risks, including the risk that employees, contractors and consultants may inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition of the Company.

Disruption of business

Conditions or events including, but not limited to, those listed below could disrupt the Company's operations, increase operating expenses, resulting in delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, "Public Health Crises, including COVID-19"); (iii) political instability, social and labour unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

Public health crises

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond our control, including the current outbreak of COVID-19. On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a global health emergency. Many governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines and a general reduction in consumer activity. While these effects are expected to be temporary, the duration of the business disruptions and related financial impact cannot be reasonably estimated at this time.

Such public health crises can result in volatility and disruptions in the supply and demand for various products and services, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect interest rates, credit ratings, credit risk and inflation. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

Disclosure of Internal Controls over Financial Reporting

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited financial statements; and (ii) the audited consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. In contrast to non-venture issuers this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

Caution Regarding Forward-Looking Information

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action, and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results, the impact of changes in accounting policies and other factors on our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct, and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to our ability to generate revenue and cash flows from operations, market fluctuations, the strength of the Canadian, and other economies, political and economic conditions in the regions where the Company's main businesses are operated, and other risks included elsewhere in this MD&A under the headings "Risk Factors" and "Financial Instruments and Risk Management" and in the Company's other public disclosure documents filed with certain Canadian securities regulatory authorities and available under UPI's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this MD&A. The 2023 Financials have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the 2023 Financials in all material aspects.

The Audit Committee has reviewed the 2023 Financials and this MD&A with management of UPI. The Board of the Company has approved the 2023 Financials and this MD&A on the recommendation of the Audit Committee.

Additional Information

Additional information relating to UPI, including its annual management information circular for the Company's most recently completed financial year, is available under the Company's profile on SEDAR+ at www.sedarplus.ca.

December 19, 2023

Jeff Berman

Chief Executive Officer

Universal PropTech Inc.

Management's Discussion and Analysis

For the Year ended August 31, 2022

The following is the Management's Discussion and Analysis ("MD&A") of the results of operations and financial condition of Universal PropTech Inc. ("UPI", "we" or the "Company") as at and for the year ended August 31, 2022. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A is supplemental to and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended August 31, 2022 and 2021 (the "2022 Financials"). The 2022 Financials and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All figures are expressed in Canadian dollars unless stated otherwise.

This MD&A also covers the subsequent period up to December 15, 2022.

Description of Business

UPI was incorporated under the *Canada Business Corporation Act* on August 22, 2008. The address of the Company's corporate office is 1 Royal Gate Blvd., Suite D, Vaughan, Ontario, Canada, L4L 8Z7. The Company's common shares are listed on the TSX Venture Exchange under the ticker symbol "UPI". The Company's common shares are also listed in the United States on the OTCQB Venture Market under the ticker symbol "UPIPF", and in Germany on the Frankfurt Stock Exchange under the ticker symbol "8LH".

UPI is a building innovation company, selecting, integrating, deploying, and maintaining proptech technologies aiming to deliver customer-centric building solutions and services. The Company conducts its operations through its wholly-owned subsidiary, VCI Controls Inc. ("VCI"). VCI is a supplier of building technologies and services that improve comfort, safety, energy efficiency, and occupant productivity, including the integration of all building systems utilizing the latest in communications technologies and standards. VCI's service offering is focused on delivering solutions in digital controls, mechanical services, performance monitoring, and energy efficiency solutions. Founded in 1981, VCI has an installed customer base of over 1,400 clients, including the National Art Gallery of Canada, and the Billy Bishop Airport in Toronto.

Headquartered in Toronto, UPI has offices across Canada, including Halifax, Montreal and Ottawa.

Corporate Developments

On October 14, 2021, the Company announced that VCI was awarded service contracts and services work in Building Automation Systems ("BAS") for approximately $1 million in September.

On November 10, 2021, the Company announced that ISBRG Corp. ("ISBRG"), a Toronto-based privately held, data analytics company specializing in health-related applications, in which the Company holds a small equity interest and select exclusive agency rights, provided a corporate update. ISBRG's SpotLight-19© is designed to detect the presence of infection caused by SARS-CoV-2 virus. SpotLight-19© uses light to quickly scan a fingertip. The speed of the test (less than a minute) and cost of the test (approximately one dollar), combined with the non-invasive nature of the test (no body fluid or breath sample is required), has been designed to screen large numbers of people in largely populated venues (such as airports, businesses, arenas, etc.) without the prohibitive delays, cost and environmental damage associated with current chemical reagent, sample-based tests. The outcome of ISBRG's clinical trial data is currently under evaluation by Health Canada.

ISBRG has also recently initiated clinical trials at a major institution in the United States involving SpotLight-THC©, a SpotLight© technology platform application designed to non-invasively detect cannabis (THC) impairment in less than a minute.

On March 17, 2022, the Company hosted its Annual General and Special Meeting. Chris Hazelton, Al Quong and Daniel Cohen were re-elected to the board of directors (the "Board") of UPI.

On May 10, 2022, Frank Carnevale resigned as Chief Growth Officer of the Company.

Strategic Developments

On December 2, 2022, the Company entered into a share purchase agreement (the "Agreement") with Dexterra Group Inc. ("Dexterra" or the "Purchaser") that provides for the sale (the "Transaction") of all of the issued and outstanding shares of VCI. In consideration, the Purchaser will pay the Company an aggregate cash purchase price of $4,000,000, plus the amount of cash held by VCI on closing of the Transaction (up to a maximum of $750,000), subject to normal closing adjustments The estimated purchase price, less indemnity and employment holdback amounts totalling $980,000 (the "Holdback Amount") shall be paid and satisfied at closing by the Purchaser to the Company.

The Board of UPI has unanimously determined that the Transaction is in the best interests of the Company and is fair to its shareholders. The Board unanimously recommends that shareholders vote in favour of the Transaction. The Company expects that trading of its common shares will be halted until the Transaction is completed.

The Transaction is a significant and positive recognition of the history and value of the Company and most importantly its employees. Dexterra is a large and dynamic organization that can make a meaningful investment to grow VCI, service its customers and present opportunities to staff for many years to come. Moreover, current market conditions for small cap service companies, and the ability to raise capital in the current environment to further develop and expands the Company's proptech business are uncertain. Accordingly, management and the Board determined that it was a good opportunity to realize a return on its proptech business.

Financial Information

Selected annual information

The Company's selected annual financial information as at and for the three most recently completed financial years ended August 31 are summarized as follows:

	2022	2021	2020
	$	$	$
Total revenue	7,942,950	8,817,673	9,939,576
Net loss from continuing operations	(619,152)	(1,090,377)	(1,215,200)
Net loss and comprehensive loss	(619,152)	(1,090,377)	(1,175,970)
Net loss per share	(0.01)	(0.03)	(0.08)
Total assets	5,503,606	6,127,137	3,921,691
Long-term liabilities	162,640	307,786	1,120,935

Selected quarterly financial information

The Company's selected financial results for the eight most recently completed quarters are as follows:

	Q4 2022	Q3 2022	Q2 2022	Q1 2022
	$	$	$	$
Revenue	2,092,497	1,736,756	1,701,378	2,412,319
Operating expenses	(927,452)	(571,562)	(814,370)	(724,890)
Net income (loss)	(353,543)	(117,043)	(175,271)	26,705
Basic net income (loss) per share	(0.01)	(0.01)	(0.00)	0.00

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
	$	$	$	$
Revenue	2,838,326	1,985,184	1,611,501	2,382,662
Operating expenses	(1,406,698)	(989,399)	(900,094)	(388,063)
Net income (loss)	(630,876)	(507,242)	(266,686)	314,427
Basic net income (loss) per share	(0.03)	(0.01)	(0.01)	0.02

Results of operations for the three months ended August 31, 2022

Sales and direct costs

During the quarter ended August 31, 2022 ("Q4 2022"), the Company generated total revenue of $2,092,497 from its Controls and Mechanical Contracting ("CMC") services, as compared to total revenue of $2,838,326 in the three months ended August 31, 2021 ("Q4 2021"), which represents a year-to-year decrease of approximately 26.3%. Revenues are earned from engineering services, building automation controls, mechanical and electrical installation, performance monitoring, and operations and maintenance services for multi-residential and ICI facilities. Cost of sales related to direct materials and expenditures for products and services sold also decreased in proportion with revenue, down $558,770 to $1,522,818 (Q4 2021 – $2,081,588), for a decrease of 23.8%. Gross margin for the operations were approximately 27.2% in Q4 2022 (Q4 2021 – 26.7%).

General and administrative expenses

During Q4 2022, the Company incurred total general and administrative ("G&A") expenses of $723,319, as compared to total G&A costs of $1,267,582 in Q4 2021, for a decrease of $544,263. The substantial year-to-year decrease in G&A expenses was primarily related to the following items:

- Decrease in marketing and sales expenses of $404,050, to $9,999 (Q4 2021 – $414,049);
- Decrease in professional fees of $53,647, to $182,723 (Q4 2021 – $236,370);
- Decrease in office expenses of $70,748, to $145,493 (Q4 2021 – $216,241); and
- Decrease in salaries and wages of $20,487 to $374,622 (Q4 2021 – $395,109).

G&A expenses in the Corporate Division decreased by $590,106, to $266,809 in Q4 2022 (Q4 2021 – $856,915). The change was mainly the result of significantly less marketing activities undertaken by the Company, as well as lower professional fees incurred in the normal course of operations. For the CMC Division, total G&A expenses were $456,510 in the current quarter (Q4 2021 – $410,667), which was in line with expectation.

Amortization and depreciation

During Q4 2022, amortization and depreciation of $61,021 (Q4 2021 – $69,663) was consistent to the comparative period. These charges relate to amortization expense on the Company's right-of-use ("ROU") assets, on leases of buildings and vehicles, which are recorded over the term of the leases.

Stock-based compensation

During Q4 2022, stock-based compensation of $67,477 was recorded on vesting of options granted in early August 2022, whereas the Company recognized stock-based compensation of $288,041 related to the vesting of options during the comparative period.

Finance expense

During Q4 2022, finance expense of $10,641 was fairly consistent (Q4 2021 – $16,199) to the comparative period, as interest was only recorded on finance lease obligations since the redemption of a convertible debenture in April 2021.

Gain on disposal of equipment

During Q4 2022, the Company disposed of certain vehicles and recorded a loss of $3,990. In the comparative period, a gain of $21,938 was also recorded on certain disposals of equipment.

Government assistance

On April 11, 2020, the Government of Canada enacted the Canada Emergency Wage Subsidy ("CEWS"), which provides a wage subsidy to eligible Canadian employers to enable them to continue to pay their Canadian employees through their payroll. To qualify for the CEWS, companies must satisfy certain eligibility criteria, including among others, a significant decline in revenue as compared to earlier periods. Eligible employers will have to sustain losses of "qualifying revenues" that meet pre-determined thresholds during the eligible periods. Each applicant's eligibility for these programs is subject to validation and detailed verification by the federal government. The Company qualified for the CEWS and applied for the subsidy.

In 2021, the Company also applied for the Canada Emergency Rent Subsidy ("CERS"), which provides eligible Canadian businesses, non-profit organizations, or charities who have seen a drop in revenue due to the emergence of the novel coronavirus ("COVID-19"), for a subsidy to cover part of their commercial rent or property expenses, between September 27, 2020 until October 23, 2021. The CERS provided payments directly to qualifying renters and property owners, without requiring the participation of landlords.

As of October 24, 2021, subsidy programs such as CEWS and CERS had been replaced. As a result, the Company no longer received any fundings under CEWS and CERS as the programs had ended. During Q4 2021, the Company received CEWS funding of $231,393 and CERS funding of $26,232, respectively.

Net loss

Overall, the Company reported a total net loss of $353,543 for the three months ended August 31, 2022 (Q4 2021 – $630,876). The CMC Division recorded a net loss of $19,116 (Q4 2021 – net income of $517,963), while the Corporate Division reported a net loss of $334,427 (Q4 2021 – net loss of $1,148,839).

Results of operations for the year ended August 31, 2022

Sales and direct costs

During the year ended August 31, 2022, the Company generated total revenue of $7,942,950 from its CMC services, as compared to total revenue of $8,817,673 in the prior year, which represents a year-to-year decrease of approximately 9.9%. Revenues are earned from engineering services, building automation controls, mechanical and electrical installation, performance monitoring, and operations and maintenance services for multi-residential and ICI facilities. During the year, cost of sales related to direct materials and expenditures for products and services sold decreased by $431,333 to $5,575,702 (2021 – $6,007,035), for a decrease of 7.2%. Gross margin for the operations were approximately 29.8% in the current year (2021 – 31.9%).

General and administrative expenses

During the year ended August 31, 2022, the Company incurred total G&A expenses of $2,667,971, as compared to total G&A expenses of $3,402,040 in the prior year, for a decrease of $734,069. The year-to-year decrease in G&A expenses was primarily related to the following items:

- Decrease in marketing and sales expenses of $634,655, to $35,832 (2021 – $670,487);
- Decrease in professional fees of $89,305, to $551,441 (2021 – $640,746); and
- Decrease in office expenses of $104,260, to $527,862 (2021 – $632,122).

G&A expenses in the Corporate Division decreased by $798,707, to $1,020,381 in the current year (2021 – $1,819,088). The change was mainly the result of significantly less marketing activities undertaken by the Company, and lower professional fees and marketing and sales expenses incurred in the normal course of operations. For the CMC Division, total G&A expenses were $1,647,590 (2021 – $1,582,952).

Amortization and depreciation

During the year ended August 31, 2022, amortization and depreciation of $248,361 (2021 – $250,003) was fairly consistent to the comparative period. Amortization and depreciation primarily relate to the Company's ROU assets, on leases of buildings and vehicles, which are recorded over the term of the leases.

Stock-based compensation

During the year ended August 31, 2022, the Company recorded stock-based compensation of $104,175 (2021 – $804,814) related to the vesting of options during the period. Stock-based compensation represent a non-cash cost.

Finance expense

During the year ended August 31, 2022, finance expense decreased by $72,676, to $50,734 (2021 – $123,410), as interest was only recorded on finance lease obligations since the redemption of a convertible debenture in April 2021.

Gain on disposal of equipment

During the year ended August 31, 2022, the Company disposed of certain vehicles and recorded a gain of $51,869. In the comparative period, a gain of $82,580 was also recorded on certain disposals of equipment.

Government assistance

As of October 24, 2021, subsidy programs such as CEWS and CERS had been replaced. During the year ended August 31, 2022, the Company received CEWS funding of $36,553 (2021 – $781,249) and CERS funding of $7,254 (2021 – $78,644), respectively, which has been recorded as government assistance on the Company's consolidated statements of loss and comprehensive loss.

Net loss

Overall, the Company reported a total net loss of $619,152 for the year ended August 31, 2022 (2021 – $1,090,377). The CMC Division recorded a net income of $506,048 (2021 – net income of $1,603,693), while the Corporate Division reported a net loss of $1,125,200 (2021 – net loss of $2,694,070).

Cash flows

Net cash provided by operating activities during the year ended August 31, 2022 was $180,316, as compared to net cash used in operating activities of $75,233 in the prior year, for an increase in operating cash flow of $255,549. At the onset of COVID-19, management implemented cost cutting measures which specifically focused on reducing its ongoing operating expenses. At the same time, VCI's operations continued to generate revenue even though the business was somewhat slowed down by impacts on lockdowns imposed by governments. As business had gradually recovered since the end of 2021, the Company was able to secure new contracts. As such, operating cash flows increased proportionately.

Net cash used in financing activities during the year ended August 31, 2022 was $180,543, comprised of proceeds of $90,743 received from exercises of warrants, which was offset by finance lease payments of $271,286. In the prior year, net cash provided by financing activities was $1,218,865. In January 2021, the Company closed a private placement financing for gross proceeds of $845,834, as issuance cost, including cash commissions of $89,076, were paid on closing. The Company also received proceeds of $65,515 and $807,456, through various exercises of stock options and warrants, respectively. The cash inflows were offset by interest payments of $69,800 and a redemption payment of $77,267 on certain convertible debentures which had been redeemed in April 2021. Finance lease payments of $263,797 was also made in the prior year.

Net cash provided by investing activities during the year ended August 31, 2022 was $40,263, comprised of proceeds of $64,649 received on disposals of certain vehicles, which was offset by purchases of $24,386 on new computers and equipment. In the prior year, net cash used in investing activities was $956,800, comprised of an investment of $1 million for the minority interest in ISBRG. The Company also purchased new property and equipment for $39,495, which was offset by proceeds on sale of equipment for $82,695.

Liquidity and Capital Resources

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. As at August 31, 2022, the Company had a working capital of $1,964,323 (August 31, 2021 – $2,315,805). Working capital provides funds for the Company to meet its operational and capital requirements.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, the 12-month period from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Company has taken and continues to take steps to reduce these losses and ultimately become profitable.

Related Party Transactions

In accordance with IAS 24 – Related Party Disclosures, 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 of the Board.

The remuneration for members of key management personnel and directors during the years ended August 31, 2022 and 2021 were as follows:

	2022	2011
	$	$
Management remuneration	**359,288**	357,428
Professional fees	**67,000**	62,000
Directors' fees	**6,000**	-
Stock-based compensation	**76,001**	316,206
	508,289	735,634

Management remuneration

Remuneration of key management personnel of the Company for the year ended August 31, 2022 included short-term compensation of $258,750 and $100,538 for Chris Hazelton, the Company's Chief Executive Officer and Frank Carnevale, the Former CGO, respectively (2021 – $222,500 and $134,928, respectively). As at August 31, 2022, no balance was owed to any key management personnel (August 31, 2021 – $nil).

Professional fees

During the year ended August 31, 2022, Branson Corporate Services Ltd. ("Branson"), where the Chief Financial Officer ("CFO") of UPI is employed, charged fees of $67,000 (2021 – $62,000), for providing CFO services to the Company, as well as other accounting and administrative services. As at August 31, 2022, $6,309 (August 31, 2021 – $6,462) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Directors' fees

During the year ended August 31, 2022, directors of the Company were paid compensation benefits of $6,000 for services rendered (2021 – $nil), which was charged to salaries and wages with G&A expenses. As at August 31, 2022, no balance was owed to any directors in relation to the fees (August 31, 2021 – $nil).

Stock-based compensation

During the year ended August 31, 2022, officers and directors of the Company received stock-based compensation of $76,001 (2021 – $316,206) on vesting of options granted.

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. The Company's capital consists of debt and equity. Its principal sources of cash are from operations, and the issuance of common shares and debt. Management intends to maintain a flexible capital structure consistent with the objectives mentioned above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, raise secured debt or refinance existing debt with different characteristics.

The Board of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the management team to sustain the future development of the business.

The Company's capital management objectives, policies and processes have remained unchanged since its most recent financial reporting period.

Financial Instruments and Risk Management

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.

Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. 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 for short or long-term financing of its operations.

As at August 31, 2022, the contractual maturities of the Company's financial liabilities are as follows:

	Less than 1 year	**1 to 3 years**	**3 to 5 years**	**Total**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	1,482,083	-	-	**1,482,083**
Lease commitments	214,293	123,755	35,813	**373,861**
Total	**1,696,376**	**123,755**	**35,813**	**1,855,944**

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash is held with reputable chartered Canadian financial institutions, and in trust with the Company's legal counsel. Management reviews the strength of these institutions on a regular basis, and believes that the credit risk concentration with respect to cash is minimal. The Company's accounts receivable balance is subject to credit risk. The Company believes the recorded amounts will be collected. Holdbacks are received upon substantial completion of the projects.

The Company's aging of accounts receivable as at August 31, 2022 is as follows:

Accounts Receivable Aging	**August 31, 2022**	August 31, 2021
	$	$
Within 30 days	**1,225,678**	1,593,659
31 to 60 days	**570,291**	706,644
61 to 90 days	**267,401**	390,512
Over 90 days	**281,151**	118,239
Holdbacks	**120,132**	104,466
Allowance for expected credit loss	**(8,576)**	(6,197)
Total Accounts Receivable	**2,456,077**	2,907,323

The maximum exposure is limited to the carrying amount of financial assets on the consolidated statements of financial position that includes cash and accounts receivable. As at August 31, 2022, an allowance for expected credit losses ("ECL") of $8,576 was included in accounts receivable (August 31, 2021 – allowance for ECL of $6,197 netted against accounts receivable).

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. The Company's convertible debentures have fixed interest rates. As at August 31, 2022, the Company had no hedging agreements in place with respect to floating interest rates.

Concentration risk

The concentration of revenue generated from major customers is not significant, with the three largest customers combined accounting for approximately 30% of gross revenue for the year ended August 31, 2022 (2021 – 24% of gross revenue).

As at August 31, 2022, one particular customer account comprises of approximately 29% of total outstanding accounts receivable, all of which is within 90 days aging (August 31, 2021 – approximately 14%).

Foreign exchange risk

The Company purchases a portion of its inventories in United States dollars ("USD") and does not currently engage in hedging activities. Accordingly, the Company is exposed to foreign exchange risk on a portion of its accounts payable and accrued liabilities and its USD bank account balances. However, the foreign exchange exposure to the Company at this time is not significant.

Categories and fair value of financial instruments

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. As at August 31, 2022, the Company's financial instruments consisted of cash, accounts receivable (excluding HST), investment, accounts payables and accrued liabilities, and finance lease obligations.

The fair value of cash, accounts receivables (excluding HST) and accounts payables and accrued liabilities are approximately equal to their carrying value due to their short-term nature. The fair values of the finance lease obligations approximate their carrying amounts as they were measured taking into consideration comparable instruments with similar risks in determining the rates at which to discount their amount in applying their respective measurement models.

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 August 31, 2022, the Company's financial instruments carried at fair value consisted of its investments, which have been classified as Level 3 (August 31, 2021 – classified as Level 2 for investment in a private-owned entity based on observable price).

Subsequent Event

On December 2, 2022, the Company entered into the Agreement with Dexterra that provides for the Transaction to sell all of the issued and outstanding shares of VCI. In consideration, the Purchaser will pay the Company an aggregate cash purchase price of $4,000,000, plus the amount of cash held by VCI on closing of the Transaction (up to a maximum of $750,000), subject to normal closing adjustments The estimated purchase price, less the Holdback Amount, shall be paid and satisfied at closing by the Purchaser to the Company.

Completion of the Transaction is subject to certain conditions, which include applicable regulatory and stock exchange approvals and the approval of not less than 66 2/3% of the votes cast by shareholders represented in person or by proxy at the meeting of shareholders that will be held on or about January 27, 2023.

Outstanding Share Data

As at the date of this MD&A, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of UPI are as follows:

Common Shares	Number Outstanding
Issued and Outstanding	49,217,408
Issuable under Options	4,370,000
Issuable under Warrants	5,649,457

Summary of Significant Accounting Policies

(a) Revenue Recognition

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of control of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, revenue is recognized as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

The Company derives revenue from construction contracts which require performance over a time span which may extend beyond one or more accounting periods. The Company recognizes revenue on construction contracts using the percentage-of-completion method. Contract revenue is based on the initial amount agreed in the contract plus any variations in contract if they can be estimated reliably. The percentage-of-completion of a contract is determined by reference to actual costs of work performed and estimates of remaining work to be completed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in the consolidated statements of loss and comprehensive loss.

On an ongoing basis, the estimated total costs for construction contracts are revised based on the information available at the end of the reporting period. Changes in estimated total costs are reflected in the percentage-of-completion calculation of applicable projects in the same period as the change in estimate occurs. Unbilled revenue represents revenue earned in excess of amounts billed on uncompleted contracts. Deferred revenue represents the excess of amounts billed to customers over revenue earned on uncompleted contracts.

Change orders and claims, referred to as contract modifications, are accounted for under IFRS 15, based, among other factors, on the fact that the contract modification is approved, and it is highly probable that a significant reversal in the amount of cumulative revenue recognized on such contract modifications will not occur when the uncertainty is subsequently resolved.

Service revenue is recognized when services have been performed and collection of the receivable is reasonably assured.

Product revenue and repairs revenue are recognized when control is transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits will be received, and the costs incurred or to be incurred can be measured reliably.

(b) Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

On initial recognition, the Company determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss ("FVTPL")
3. Measured at fair value through other comprehensive income ("FVTOCI")

The classification under IFRS 9 – Financial Instruments ("IFRS 9") is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met: (i) held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's classification of financial assets and financial liabilities under IFRS 9 are summarized below:

Cash	Amortized cost
Investment	FVTPL
Accounts receivables, excluding HST	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance lease obligations	Amortized cost

Measurement

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition. Transaction costs related to FVTPL assets and liabilities are expensed as incurred.

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

FVTPL – Changes in fair value after initial recognition, whether realized or not, are recognized through profit or loss. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

FVTOCI – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an ECL model. The ECL model requires the Company to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition.

The Company has applied the simplified approach to recognize lifetime ECL for its accounts receivable. In general, the Company anticipates that the application of the ECL model of IFRS 9 results in earlier recognition of credit losses for the respective items.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred.

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

Gains or losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Determination of fair value

The determination of fair value requires judgment and is based on market information, where available and appropriate. 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).

Level 1 inputs are unadjusted quoted prices, in active markets for identical assets or liabilities that the entity can access at the measurement date. For a price to qualify as Level 1, the Company should be able to obtain the price from multiple sources as a single market maker would almost by definition suggest an inactive market. Level 1 inputs related to items traded on an exchange or an active index/market location.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, which include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active, for example, dealer markets where the dealer is standing ready and able to transact at that price such as an OTC market;
- Broker quotes corroborated with observable market information;
- Inputs other than quoted prices are observable for the asset or liability, for example: interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads, etc.

Examples of Level 3 values include:

- Inputs obtained from broker quotes or a pricing service that are indicative (that is, not being transacted upon) and not corroborated with observable market data; and
- Models that incorporate management assumptions that cannot be corroborated with observable market data.

As at August 31, 2022, the Company had determined that the investment that it held in ISBRG (defined hereafter) did not have an active market and any observable inputs directly or indirectly from quoted prices of a similar asset in markets which are not active. As such, the Company had classified this investment as Level 3 inputs under the fair value hierarchy (August 31, 2021 – classified as Level 2 for investment in a private-owned entity based on observable price).

(c) Inventories

Inventories are valued at the lower of cost and net realizable value.

The costs incurred to bring each product to its present location and condition are accounted for as (i) raw materials, (ii) equipment, and (iii) spare parts – purchased cost on a first in, first out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(d) Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment. Likewise, when a major inspection is performed, its cost is recognized in the carrying value of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of loss and comprehensive loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a declining balance basis over the expected useful life of the asset at the following rates:

Office furniture and equipment	10 to 20%
Computer equipment	30 to 40%
Job equipment	20 to 30%
Vehicles	20 to 30%
Leasehold improvements	Straight-line over the expected lease term

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed on an annual basis and adjusted prospectively if appropriate.

(e) Leased Assets

The Company primarily leases office facilities, equipment and vehicles. The Company assesses service arrangements to determine if an asset is explicitly or implicitly specified in the agreement and if the Company has the right to control the use of the identified asset.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company then recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. The Company elected to recognize expenses for leases with a term of 12 months or less on a straight-line basis over the lease term and lease of assets of low value, and not to recognize these short-term leases on the consolidated statements of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, the amount of the remeasurement is recognized as a corresponding adjustment to the carrying amount of the ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

(f) Impairment of Non-Financial Assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset or cash-generating unit ("CGU") may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any indication exists, or when annual impairment testing for an asset or CGU is required, the Company estimates the recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use ("VIU"). Where the carrying value of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered to be impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU, using an appropriate valuation model. These calculations are corroborated by calculation multiples or other available fair value indicators.

Impairment losses are recognized in the consolidated statements of loss and comprehensive loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses no longer exist or may be decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of loss and comprehensive loss.

(g) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of the economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance expense in the consolidated statements of loss and comprehensive loss.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at August 31, 2022 and 2021, the Company had no material provisions.

(h) Income Taxes

Income tax comprises of current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Estimates

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(i) Share Capital

In situations where the Company issues units, the value of units is bifurcated and the value of warrants is included as a separate reserve for warrants of the Company's equity. The proceeds from the issuance of units are allocated between common shares and warrants on a pro-rated basis using the relative fair value method. The fair value of the common shares is determined using the share price at the date of issuance of the units. The fair value of the warrants is determined by the application of the Black-Scholes valuation model ("Black-Scholes").

(j) Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

(k) Share-Based Payments Transactions

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of options is determined using Black–Scholes. The fair value of equity-settled share-based transactions are recognized as an expense with a corresponding increase in share-based payments reserve.

The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Amounts recorded for forfeited or expired unexercised options are transferred to accumulated deficit in the period of forfeiture or expiry. Expired warrants are also transferred to accumulated deficit.

(l) Loss Per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

(m) Government Assistance

The benefits of tax incentives for government subsidy assistance are recognized in the year the qualifying claim is made providing there is reasonable assurance of recoverability. Grants and assistance are recorded based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities.

Government grants and assistance are recognized where there is a reasonable assurance that the grants and assistance will be received, and conditions will be complied with. Government grants and assistance are recognized in other income over the periods in which the Company recognizes expenses which the grants and assistance are intended to compensate.

(n) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(o) Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Management considers the corporate office and the CMC Division to be its operating segments, as both segments continue to engage in business activities. Their operating results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated and assess their performance, for which discrete financial information available to facilitate the review.

(p) Significant Accounting Judgments and Estimates

The preparation of these consolidated 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 its 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. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows and the Company's cash position at year-end.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated 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 are 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.

Determination of fair value hierarchy

The categorization of the fair value measurement into one of the three different levels shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Judgment is required in assessing the significance of a particular input to the fair value measurement in its entirety, taking into account factors specific to the asset or liability.

The use of a valuation model precludes the use of Level 1. However, the fair value hierarchy prioritizes the inputs to valuation techniques, not the valuation techniques that the respective models used to measure fair value. The level within the hierarchy is determined based on the valuation inputs, not on the methodology or complexity of the model. The use of a model does not automatically result in a Level 3 fair value measurement.

Allowances for expected credit losses

An ECL impairment model applies which requires a loss allowance to be recognized. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statements of loss and comprehensive loss.

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

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of 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. Changes in these assumptions affects the fair value of the options and the amount of stock-based compensation to be recognized in profit or loss over the vesting period.

Income taxes

Management uses estimates when determining deferred income assets. These estimates are used to determine the recoverability of non-capital tax loss carry-forwards and other tax amounts. Significant judgment is required to determine the probable future cash flows in order to recognize the deferred tax asset. Changes in market conditions, changes in tax legislation, and other factors, could adversely affect the ongoing value of deferred tax assets. The carrying amount of deferred income tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to utilize all or part of the deferred income tax assets. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it is probable that there will be sufficient taxable income for the asset to be recovered.

Percentage of completion

The Company measures the percentage of completion using the cost input method in accounting for its contract revenues which requires the Company to determine the contract work performed to date as a proportion of the estimated total contract work to be performed and it is management's judgment that use of the costs to date in proportion to the total estimated costs provides the most appropriate measure of percentage of completion.

Litigation risk and claims risk

Disputes are common in the industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial. The Company must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required. Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties.

Management regularly analyzes current information about these matters, and external legal counsel are often used for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

(q) Adoption of New Accounting Policies

The Company adopted the following amendments, effective September 1, 2021. These changes were made in accordance with the applicable transitional provisions.

Amendments to IAS 1 – Presentation of Financial Statements ("IAS 1")

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19.

The Company early-adopted these amendments as permitted and had assessed that the adoption of these amendments did not have any material impact on the consolidated financial statements.

(r) Recent Accounting Pronouncements

At the date of authorization of these consolidated financial statements, the IASB and the IFRIC have issued the following amendments which are effective for annual periods beginning on or after September 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company had assessed that the adoption of the following amendments will not have any material impact on its consolidated financial statements:

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued *Definition of Accounting Estimates*, which amended IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

Contingencies

During the year ended August 31, 2019, a lawsuit was filed against the Company by a former employee for a claim of approximately $815,000. The Company believes the employment was terminated for cause. Since it presently is not possible to determine the outcome of this matter, no provision has been made on the consolidated financial statements.

During the year ended August 31, 2022, a lawsuit was filed against the Company by a former employee for a claim of approximately $145,000. The Company believes the employment was terminated for cause. As at August 31, 2022, the Company determined that it was not possible to determine the outcome of this matter. Subsequent to year-end, the Company settled an amount of $40,000 on the lawsuit. As a result, the Company recorded a provision of $40,000 on the consolidated statements of financial position as at August 31, 2022 (August 31, 2021 – $nil).

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business. Management is of the opinion, based on information currently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect to the Company's consolidated financial position, liquidity, or results of operations.

Segmented Information

The Company's segments have been organized based on its principal business operations (Corporate, and Controls and Mechanical Contracting), all within Canada.

Year ended August 31, 2022	**Corporate**	**Controls and Mechanical Contracting**	**Total**
	$	**$**	**$**
Capital expenditures	-	24,386	24,386
Total assets	1,327,122	4,176,484	5,503,606
Statement of Operations			
Revenue	-	7,942,950	7,942,950
Cost of sales	-	(5,575,702)	(5,575,702)
General and administrative	(1,020,381)	(1,647,590)	(2,667,971)
Depreciation	-	(248,361)	(248,361)
Finance expense	(644)	(50,090)	(50,734)
Inventory provision	-	(62,709)	(62,709)
Stock-based compensation	(104,175)	-	(104,175)
Gain on disposal of equipment	-	51,869	51,869
Government assistance	-	43,807	43,807
Current tax recovery	-	34,269	34,269
Deferred tax recovery	-	17,605	17,605
Segmented Income (Loss)	**(1,125,200)**	**506,048**	**(619,152)**

Year ended August 31, 2021	**Corporate**	**Controls and Mechanical Contracting**	**Total**
	$	**$**	**$**
Capital expenditures	-	39,495	39,495
Total assets	1,219,277	4,907,860	6,127,137
Statement of operations			
Revenue	-	8,817,673	8,817,673
Cost of sales	-	(6,007,035)	(6,007,035)
General and administrative	(1,819,088)	(1,582,952)	(3,402,040)
Depreciation	-	(250,003)	(250,003)
Finance expense	(66,818)	(56,592)	(123,410)
Inventory provision	-	(49,642)	(49,642)
Stock-based compensation	(804,814)	-	(804,814)
Gain on disposal of equipment	-	82,580	82,580
Government assistance	-	859,893	859,893
Gain on derecognition of ROU asset	-	1,443	1,443
Loss on conversion of debt	(3,350)	-	(3,350)
Current tax expense	-	(184,262)	(184,262)
Deferred tax expense	-	(27,410)	(27,410)
Segmented Income (Loss)	**(2,694,070)**	**1,603,693**	**(1,090,377)**

Risk Factors

The Company's overall performance and results of operations are subject to a number of risks and uncertainties. The Company is subject to certain risks and uncertainties from both financial and operational factors. Some of the key risks are highlighted as follows:

Going concern risk

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

During the year ended August 31, 2022, the Company reported a net loss of $619,152 (2021 – $1,090,377). As at August 31, 2022, the Company had a working capital of $1,964,323 (August 31, 2021 – $2,315,805) and an accumulated deficit of $23,169,063 (August 31, 2021 – $22,802,385). Amid the continued evolution of COVID-19, there remains significant doubt surrounding the Company's ability to continue as a going concern. In terms of its current operations, in addition to increasing revenues and decreasing costs, the Company may require additional financing in the form of debt or equity. Failure to obtain such financing could result in delay or indefinite postponement of the Company's strategic goals. and the continued evolution of represent material uncertainties which may cast significant doubt upon the Company's ability to continue as a going concern.

Additional financing

The Company believes that it has sufficient capital to meet its presently anticipated working capital and capital expenditure requirements for the near future. This belief is based on its operating plan which, in turn, is based on assumptions, which may prove to be incorrect. In addition, the Company may need to raise significant additional funds sooner to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing to meet its plans for expansion. There is no assurance that additional financing, if needed, will be available on acceptable terms or at all.

Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Volatile global financial and economic conditions

Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial condition could be adversely impacted.

Revenue risk

The Company may experience delays in achieving revenues. Revenues may be delayed or negatively impacted by issues encountered by the Company or its customers including:

- unforeseen engineering and environmental problems;
- delays or inability to obtain required financing, licenses, permits and regulatory approvals;
- supply interruptions or labour disputes;

- foreign exchange fluctuations and collection risk; and
- competition from other suppliers or alternate less capital-intensive energy solutions.

There is no assurance that the business will perform as expected or that returns from the business will support the expenditures needed to develop it.

Sales cycle and fixed price contracts

The Company may enter into sales contracts with fixed pricing, which may be impacted by changes over the period of implementation. The success of sales execution will require collaboration between the Company and its customers.

There is no assurance that delays or problems in the implementation process used for all customers will not adversely affect the Company's activities, operating results or financial position.

Sensitivity to fixed costs

Fixed costs, including costs associated with operating losses, leases, labour costs and depreciation will account for a significant portion of the Company's costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, weather or other factors could significantly affect financial results.

Reliance on management and key personnel

The Company's success and future operations are dependent upon the abilities, expertise, experience, judgment and efforts of senior management and key technical and field personnel of the Company. Any loss of the services of these personnel could have a materially adverse impact on the Company's business, technical capabilities, operating results or financial condition or could result in delays to or abandonment of the Company's projects.

Loss of contracts

The Company may lose contracts or customer arrangements through competitive bidding or early termination, which would cause its revenue and profitability to decline. In addition, some customers of the Company may terminate their contracts or arrangements before the end of the contract term. If the Company loses contracts or customer arrangements through competitive bidding, early termination or other competitive pressures, it may not be able to replace the lost revenue, which will result in a decrease in its revenue. Whether the Company will be the successful bidder for any particular contract is subject to significant uncertainty.

Competition

The Controls and Mechanical Contracting industry is competitive; however, it is anticipated that the Company will be one of a smaller number of public companies offering a turn-key solution. There are smaller privately-owned companies which are providing segments of the process but not a complete solution. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of a complete solution that competes with those of the Company or that new or existing competitors will not enter the various markets in which the Company will be active.

There can be no assurance that the Company's competitors will not develop new and unknown technologies, with which the Company may have difficulty competing. As well, without remaining cost competitive there is also a risk that the Company may lose business to its competitors.

Dependence on suppliers

The ability of the Company to compete and grow will be dependent on the Company having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. Failure of suppliers to deliver such skilled labour, equipment, parts and components at a reasonable cost and in a timely manner would be detrimental to the Company's ability to compete and grow. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

Environmental liability

The Company will be subject to various environmental laws and regulations enacted in the jurisdictions in which it operates which govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in the Company's operations. There can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Company may have the benefit of insurance maintained by it or the operator, however, the Company may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

Private or illiquid securities

The Company invests in securities of private issuers with a near term plan to complete a going public transaction. Investments in private issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for a private company investment or that the Company will otherwise be able to realize a return on such investments. The Company may also invest in illiquid securities of public issuers. A period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company will be unable to realize the Company's investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy.

Limited market for securities

There can be no assurance that an active and liquid market for the Company's common shares will develop or be maintained, and an investor may find it difficult to resell any securities of the Company.

The market price of securities is volatile and may not accurately reflect the long-term value of the Company

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of common shares or Warrants to sell their securities at an advantageous price. Market price fluctuations in the common shares and Warrants may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the shares and warrants.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares and warrants may decline even if the Company's investment results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in investment values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the shares and warrants may be materially adversely affected.

Internal controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company's common shares.

Liability for activity of employees, contractors and consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims or regulatory enforcement actions against the Company. Failure to comply with relevant laws could result in fines, suspension of licenses and civil or criminal action being taken against the Company. Consequently, the Company is subject to certain risks, including the risk that employees, contractors and consultants may inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition of the Company.

Disruption of business

Conditions or events including, but not limited to, those listed below could disrupt the Company's operations, increase operating expenses, resulting in delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, "Public Health Crises, including COVID-19"); (iii) political instability, social and labour unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

Public health crises

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond our control, including the current outbreak of COVID-19. On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a global health emergency. Many governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines and a general reduction in consumer activity. While these effects are expected to be temporary, the duration of the business disruptions and related financial impact cannot be reasonably estimated at this time.

Such public health crises can result in volatility and disruptions in the supply and demand for various products and services, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect interest rates, credit ratings, credit risk and inflation. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

Disclosure of Internal Controls over Financial Reporting

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited financial statements; and (ii) the audited consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. In contrast to non-venture issuers this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

Caution Regarding Forward-Looking Information

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action, and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results, the impact of changes in accounting policies and other factors on our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct, and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to our ability to generate revenue and cash flows from operations, market fluctuations, the strength of the Canadian, and other economies, political and economic conditions in the regions where the Company's main businesses are operated, and other risks included elsewhere in this MD&A under the headings "Risk Factors" and "Financial Instruments and Risk Management" and in the Company's other public disclosure documents filed with certain Canadian securities regulatory authorities and available under UPI's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this MD&A. The 2022 Financials have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the 2022 Financials in all material aspects.

The Audit Committee has reviewed the 2022 Financials and this MD&A with management of UPI. The Board of the Company has approved the 2022 Financials and this MD&A on the recommendation of the Audit Committee.

Additional Information

Additional information relating to UPI, including its annual management information circular for the Company's most recently completed financial year, is available under the Company's profile on SEDAR at www.sedar.com.

December 15, 2022

Christopher Hazelton
Chief Executive Officer

Universal PropTech Inc.

(formerly SustainCo Inc.)

Management's Discussion and Analysis

For the Year ended August 31, 2021

Introduction

The following is the Management's Discussion and Analysis ("MD&A") of the results of operations and financial condition of Universal PropTech Inc. (formerly SustainCo Inc.) ("UPI", "we" or the "Company") as at and for the year ended August 31, 2021. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A is supplemental to and should be read in conjunction with the Company's consolidated financial statements and related notes for the years ended August 31, 2021 and 2020 (the "2021 Financials"). The 2021 Financials and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All figures are expressed in Canadian dollars unless stated otherwise.

This MD&A also covers the subsequent period up to December 10, 2021.

Description of Business

UPI was incorporated under the *Canada Business Corporation Act* on August 22, 2008. The address of the Company's corporate office is 1 Royal Gate Blvd., Suite D, Vaughan, Ontario, Canada, L4L 8Z7. The Company's common shares are listed on the TSX Venture Exchange (the "TSX-V") under the ticker symbol "UPI". The Company's common shares are also listed in the United States (the "U.S.") on the OTCQB Venture Market ("OTC") under the ticker symbol "UPIPF", and in Germany on the Frankfurt Stock Exchange ("FSE") under the ticker symbol "8LH".

UPI is a building innovation company, selecting, integrating, deploying, and maintaining proptech technologies ("PropTech") aiming to deliver customer-centric healthy building solutions and services. The Company conducts its operations through its wholly-owned subsidiary, VCI Controls Inc. ("VCI"). VCI is a supplier of building technologies and services that improve comfort, safety, energy efficiency, and occupant productivity, including the integration of all building systems utilizing the latest in communications technologies and standards. VCI's service offering is focused on delivering solutions in digital controls, mechanical services, performance monitoring, and energy efficiency solutions. Founded in 1981, VCI has an installed customer base of over 1,400 clients, including the National Art Gallery of Canada, and the Billy Bishop Airport in Toronto.

Headquartered in Toronto, UPI has offices across Canada, including Halifax, Montreal and Ottawa.

Corporate Developments

On November 10, 2020, the Company held its annual general & special meeting ("AGM") of shareholders. Christopher Hazelton, the Company's Chief Executive Officer ("CEO"), Al Quong and Daniel Cohen were elected to the board of directors (the "Board"). Shareholders also approved the name change to "Universal PropTech Inc.", which was effective on November 27, 2020.

On November 16, 2020, the Board approved the formation of an advisory board (the "Advisory Board"), which will focus on identifying and assessing the development and integration of PropTech solutions, as well as acquisition targets. Adam Szweras, a former director of UPI, was appointed to the Advisory Board. Mr. Szweras has extensive experience structuring and executing on cross border acquisitions and has a focus on working with emerging companies.

On November 23, 2020, the Company announced that it has entered into a collaboration and commercialization agreement with Delta-X Global Corp. ("Delta-X") to test and bring Delta-X's proprietary face and temperature recognition software technology to market, as part of an integrated approach to stopping the spread of the coronavirus ("COVID-19"). Delta-X products are being integrated into building control systems of the Company's customers, providing a more holistic healthy building environment.

On December 1, 2020, the Company's common shares commenced trading on the TSX-V under its new ticker symbol "UPI".

On December 1, 2020, Frank Carnevale was appointed as Chief Growth Officer ("CGO") of the Company. A former Chief Operating Officer of UPI, Mr. Carnevale is focusing on acquisitions, investments, organic growth strategies and execution to improve the overall value of the Company.

On December 9, 2020, the Company announced its new strategic direction, as first described in its press release dated October 5, 2020, has been more fully articulated in its updated investor presentation, "Capitalizing on Our Strengths" (see "Outlook and Strategy" for more details).

On December 18, 2020, Robert Daniels was appointed to the Advisory Board. Mr. Daniels has over 30 years of experience in substantial ventures in real estate and land development, commercial property investment and renewable power, and will support UPI's efforts in investments and acquisitions of PropTech companies.

On January 25, 2021, the Company announced the signing of a Canadian distribution agreement with Fresh-Aire UV to carry its air purification systems to help combat SARS-CoV-2 in schools, colleges, universities, government facilities and long-term care facilities.

On January 27, 2021, the Company announced the signing of an international reseller agreement with Clean Air Group d/b/a AtmosAir Solutions, for bi-polar ionization technology to help mitigate against the strain of COVID-19, and other viruses and bacteria, in schools, colleges, universities, government facilities and long-term care facilities.

On February 1, 2021, the Company entered into a distributor agreement with Air Alpine Innovation Research Inc. ("Air Sniper") to promote and market Air Sniper products (see "Outlook and Strategy" for more details).

On February 3, 2021, the Company entered into a channel partnership agreement with SensorSuite Inc. ("SensorSuite") to deliver SensorSuite's Artificial Intelligence ("AI") Energy Cloud Ecosystem ("ECE") platform (see "Outlook and Strategy" for more details).

On February 5, 2021, the Company entered into an agreement with LuminUltra Technologies Ltd. ("LuminUltra") to deploy their GeneCount Rapid SARS-CoV-2 surface testing solution for UPI's customers (see "Outlook and Strategy" for more details).

On February 18, 2021, the Company acquired a minority interest in ISBRG Corp. ("ISBRG") for $1,000,000 (see "Outlook and Strategy" for more details).

On March 1, 2021, UPI's common shares began trading on the FSE, under the ticker symbol "8LH".

On March 16, 2020, David Berry was appointed to the Advisory Board. Mr. Berry is a renowned capital markets professional in Canada who previously presided to record-setting institutional equity trading at a reputable financial institution. His expertise will support UPI's efforts in investments and acquisitions of PropTech and related services.

On April 21, 2021, UPI's common shares also began trading on the OTC, under the ticker symbol "UPIPF".

On May 18, 2021, the Company, through VCI, has executed a services agreement with a Canadian HVAC asset company ("HVAC Company") to provide HVAC installation and services for commercial and residential customers in Southern Ontario. The HVAC Company serves millions of customers with rental HVAC assets and services.

On June 4, 2021, the Company announced that it is expanding the distribution of Air Sniper products across Canada and exploring sales into the U.S. UPI and Air Sniper have agreed under a revised distribution agreement, which will expand the Company's geographic reach, to international markets for indoor air quality ("IAQ") products and enable the Company to have additional options in IAQ equipment.

On June 10, 2021, Elizabeth McDonald and Dwayne Matthews were appointed to the Advisory Board. Ms. McDonald, the former President of the Canadian Energy Efficiency Alliance and the Canadian Solar Industries Association, will advise on the Building Performance and Energy Resources divisions, among other corporate initiatives. Mr. Matthews, a Chief Innovation Evangelist and Future of Education Strategist for school boards, educators and parents, will be advising on innovation and sustainability within the education sector across North America.

On June 15, 2021, the Company announced that VCI received purchase orders for approximately $1.2 million from a Southern Ontario school board, for a range of mechanical installations, expected to be completed by Q1 Fiscal 2022.

On June 21, 2021, the Company entered into a distribution agreement with a new partner, Sustainable Tech Inc., to distribute Air Sniper's IAQ products to its 2,400-dealer network across Canada.

On June 21, 2021, the Company held its 2021 AGM. Messrs. Hazelton, Quong and Cohen were all re-elected as directors.

On June 24, 2021, VCI received additional purchase orders for approximately $750,000 for mechanical work for certain customers in Ontario, which included services for large municipalities in the province.

On July 2, 2021, the Company entered into an agreement with a new partner, Alps Controls Inc. ("Alps Controls"), to distribute Air Sniper's IAQ products on its online marketplace, alpscontrols.com, for HVAC and building automation controls to its over 3,000 HVAC contractors, control system integrators and higher education customers across the U.S.

On July 6, 2021, the Company entered into a distribution agreement with Piera Systems Inc. to market, sell and distribute its Canāree™ family of IAQ monitoring products in Canada and U.S.

On July 15, 2021, the Company entered into a systems integrator agreement with Strato Automation Inc. ("Strato") to be an official systems integrator of Strato building automation products, systems and cloud solutions in Ontario.

On July 19, 2021, the Company presented its vision update "Unleashing The Value From Energy" and announced that it had entered into a consortium agreement to develop energy resources.

On July 20, 2021, the Company entered into a partnership agreement with En-Powered Inc. to provide AI-driven energy savings to customers.

On July 21, 2021, the Company signed a letter of intent to acquire assets of Energex Group, a microgrid energy services company.

On July 22, 2021, the Company entered into a partnership agreement with Laken and Associates Inc. o/a Termobuild to non-exclusively market low-carbon energy solution.

On August 4, 2021, the Company announced that it has secured the eligibility for clearing and settlement of its common shares through the Depository Trust Company ("DTC"), which manages the electronic clearing and settlement of publicly traded companies in the U.S. Through an electronic method of clearing securities, DTC eligibility simplifies the process of trading and transferring UPI's common shares between brokerages in the U.S.

On October 14, 2021, the Company announced that VCI was awarded service contracts and project work in Building Automation Systems for approximately $1 million in September.

On November 10, 2021, the Company announced advancements with IAQ monitoring, and an update regarding ISBRG. Back in July 2021, the Company announced an agreement to integrate IAQ monitoring devices into UPI's Building Automation Systems ("BAS"). Initial integration with UPI's BAS will be complete before end of 2021. The IAQ monitoring devices use Intelligent Particle Sensors along with algorithms and artificial intelligence to identify a range of particulate matter from Indoor Sources from 10 microns down to 0.1 microns.

Financing Activities

On January 11, 2021, the Company completed an over-subscribed non-brokered private placement (the "Offering") of 4,027,779 units of the Company ("Units") at a price of $0.21 per Unit, for gross proceeds of $845,834. Each Unit is comprised of one common share in the capital of the Company and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share at a price of $0.30 for a period of two years from the date of issuance. The Company intends to use the net proceeds of the Offering to establish new business lines and for general working capital purposes.

During the year ended August 31, 2021, a principal amount of $982,675 of the outstanding senior convertible debentures ("Convertible Debentures") issued on July 14, 2020 were converted into 19,653,504 common shares of the Company at a conversion price of $0.05 per share. On April 20, 2021, the Company redeemed a remaining principal amount of $77,267 for cash. As of the date hereof, there is no balance outstanding on the Convertible Debentures.

During the year ended August 31, 2021, the Company issued 415,100 common shares as a result of the exercise of stock options for cash proceeds of $65,515.

During the year ended August 31, 2021, the Company also issued 8,074,555 common shares as a result of the exercise of warrants for cash proceeds of $807,456.

Outlook and Strategy

As a recap, on June 30, 2021, the Company provided its second half guidance for 2021:

Guidance for Second Half of 2021 and beyond

For the second half of the calendar year, the Company expects to:

- Round out additional capabilities to deliver healthy buildings, such as building automation, building performance, indoor air quality and energy resources;
- Continue to expand distribution capabilities across Canada;
- Begin expansion efforts into the U.S.;
- Expand our share of "the wallet" from existing and new clients by offering additional products and solutions.
- Developing alternate asset class offering with financing and/or owning energy assets; and
- Identifying and nurturing acquisition opportunities across Canada and the U.S.

The Company is pleased to report that it has been successfully executing the below-noted list:

- The Company has made a number of media releases, listed above, with respect to new technologies it has partnered/licensed;
- The Company has been incorporating technologies, previously reported, into solutions and service offerings;
- The Company has deployed "audit" kits of indoor air quality sensors, and has already reported the identification of "unhealthy levels" of indoor air quality in several locations;
- The Company is in discussions to complete options analysis studies and/or develop unregulated energy systems for prospects;
- The Company has grown its distribution capabilities across Canada and into the U.S., and it has already resulted in approximately $15 million in proposals from distributors; and
- The Company has presented additional upsell opportunities to existing customers, and is in process of piloting and selling additional solutions and services, and has already reported a number of contract renewals.

From an outlook perspective, the Company expects organic and acquisition growth this fiscal year. Specifically, the Company is actively:

- Developing "On-Demand" Ventilation solution through the integration of indoor air quality sensors and artificial intelligence in building automation systems;
- Nurturing acquisitions for geographic expansion;
- Expanding and growing equipment with distributors;
- Expanding its sales efforts beyond installed base; and
- Growing its network of partnerships across Canada, securing access to selling equipment, installation and servicing.

On November 12, 2021, the Canadian Chief Public Health Officer made a statement, declaring *"Most importantly, we have learned how the virus can linger in fine aerosols and remain suspended in the air we breathe, much as expelled smoke lingers in poorly ventilated spaces. Similar to second-hand smoke, those in close proximity to the infected person inhale more aerosols."* The Company believes that this critical statement is validation of the Company's focus to leverage its indoor air quality sensors and capabilities to drive growth in this post-pandemic environment.

In addition, the Company expects to report back in the coming months on results from Clinical Trials of SpotLight-19 and SpotLight-THC from ISBRG.

Financial Information

The Company's selected annual financial information as at and for the three most recently completed financial years ended August 31 are summarized as follows:

	2021	2020[1]	2019[1]
	$	$	$
Total revenue	8,817,673	9,939,576	12,732,867
Net loss from continuing operations	(1,090,377)	(1,215,200)	(755,544)
Income from discontinued operations	-	39,230	760,458
Net (loss) income and comprehensive (loss) income	(1,090,377)	(1,175,970)	4,914
Net loss per share from continuing operations	(0.03)	(0.08)	(0.05)
Total assets	6,127,137	3,921,691	5,785,261
Long-term liabilities	307,786	1,120,935	35,775

The Company's selected financial results for the eight most recently completed quarters are as follows:

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
	$	$	$	$
Revenue	2,838,326	1,985,184	1,611,501	2,382,662
Net (loss) income from continuing operations	(630,876)	(507,242)	(266,686)	314,427
Net (loss) income	(630,876)	(507,242)	(266,686)	314,427
Basic net (loss) income per share from continuing operations	(0.03)	(0.01)	(0.01)	0.02
Basic net (loss) income per share	(0.03)	(0.01)	(0.01)	0.02

	Q4 2020	Q3 2020	Q2 2020	Q1 2020
	$	$	$	$
Revenue	1,647,395	1,763,679	2,139,824	4,388,675
Net income (loss) from continuing operations	(818,827)	200,006	(394,583)	(201,796)
Net income (loss)	(818,827)	238,297	(393,848)	(201,592)
Basic and diluted net income (loss) per share from continuing operations	(0.03)	0.01	(0.00)	(0.01)
Basic net income (loss) per share	(0.03)	0.01	(0.02)	(0.01)

[1] As a result of the sale of Clean Energy Developments Corp. ("CleanEnergy" or "CED") in April 2020, the financial results of CED had been reclassified as discontinued operations for the years ended August 31, 2020 and 2019.

Results of operations for the three months ended August 31, 2021

<u>Sales and direct costs</u>

During the three months ended August 31, 2021 ("Q4 2021"), the Company generated total revenue of $2,838,326 from its Controls and Mechanical Contracting services, as compared to total revenue of $1,647,395 in the three months ended August 31, 2020 ("Q4 2020"), which represents a year-to-year increase of approximately 72.3%. Revenues are earned from engineering services, building automation controls, mechanical and electrical installation, performance monitoring, and operations and maintenance services for multi-residential and ICI facilities. Cost of sales relate to direct materials and expenditures for products and services sold. Gross margin for the operations were approximately 26.4% in Q4 2021 (Q4 2020 – 24.9%).

<u>General and administrative costs</u>

During Q4 2021, the Company incurred total general and administrative ("G&A") costs of $1,267,582, as compared to total G&A costs of $790,038 in the comparative period, for an increase of $447,544. The year-to-year increase in G&A costs is primarily related to the following items:

- Increases in marketing and sales expense of $414,049 in Q4 2021 (Q4 2020 – $nil);
- Increase in professional and consulting fees of $174,998, to $236,370 in Q4 2021 (Q4 2020 – $61,372);
- Increase in office expenses of $62,686, to $216,241 (Q4 2020 – $153,555); which were partially offset by
- Decrease in salaries and wages of $156,669, to $395,109 (Q4 2020 – $551,778).

G&A costs in the Corporate Division were $856,915 in the current period (Q4 2020 – recovery of $76,105). The year-to-year increase of $933,020 in corporate G&A costs was mainly due to increases in marketing and sales expenses, as a number of investors relations and marketing agreements were entered into by the Company. For the Controls and Mechanical Contracting Division, total G&A costs were $410,667 (Q3 2020 – $866,143), where the relative decrease was primarily related to cost-cutting measures implemented from a few quarters ago.

<u>Amortization and depreciation</u>

During Q4 2021, amortization and depreciation of $69,663 was fairly consistent as compared to amortization and depreciation of $66,655 from Q4 2020. The amortization and depreciation for the current period primarily relate to amortization of right-of-use ("ROU") assets which are recorded over the term of the leases.

<u>Finance expense</u>

During Q4 2021, finance expense decreased by $33,106, to $16,199 (Q4 2020 – $49,305), as interest and accretion had been recorded from the finance lease obligations and on the Convertible Debentures. As the Convertible Debentures had been fully converted and redeemed since April 2021, total interest and accretion had decreased in relation to the prior quarter. In the comparative period, finance expense was primarily related to interest and bank charges on the Company's bank indebtedness and promissory notes.

<u>Share-based payments</u>

During Q4 2021, the Company recognized stock-based compensation of $288,041 (Q4 2020 – $23,018) related to the vesting of options granted to certain directors, officers and consultants during the year. Stock-based compensation represent a non-cash cost.

<u>Government assistance</u>

On April 11, 2020, the Government of Canada enacted the Canada Emergency Wage Subsidy ("CEWS"), which provides a wage subsidy to eligible Canadian employers to enable them to continue to pay their Canadian employees through their payroll. To qualify for the CEWS, companies must satisfy certain eligibility criteria, including among others, a significant decline in revenue as compared to earlier periods. Eligible employers will have to sustain losses of "qualifying revenues" that meet pre-determined thresholds during the eligible periods.

During 2021, the Company also applied for the Canada Emergency Rent Subsidy ("CERS"), which provides eligible Canadian businesses, non-profit organizations, or charities who have seen a drop in revenue due to the COVID-19 pandemic for a subsidy to cover part of their commercial rent or property expenses, starting on September 27, 2020 until June of 2021. The CERS provides payments directly to qualifying renters and property owners, without requiring the participation of landlords.

During Q4 2021, the Company received CEWS funding of $231,393 (Q4 2020 – $421,108) and CERS funding of $26,232 (Q4 2020 – $nil), respectively, which has been recorded as government assistance on the Company's consolidated statements of loss and comprehensive loss.

Net loss

Overall, the Company reported a total net loss of $630,876 for the three months ended August 31, 2021 (Q4 2020 – net loss of $854,602). The Controls and Mechanical Contracting Division recorded a net income of $517,963 (Q4 2020 – net loss of $848,412), while the Corporate Division reported a net loss of $1,148,839 (Q4 2020 – net income of $72,224).

Results of operations for the year ended August 31, 2021

Sales and direct costs

During the year ended August 31, 2021 ("Fiscal 2021"), the Company generated total revenue of $8,817,673 from its Controls and Mechanical Contracting services, as compared to total revenue of $9,939,576 during the year ended August 31, 2020 ("Fiscal 2020"), which represents a year-to-year decrease of approximately 11.3%. Revenues are earned from engineering services, building automation controls, mechanical and electrical installation, performance monitoring, and operations and maintenance services for multi-residential and ICI facilities. Cost of sales relate to direct materials and expenditures for products and services sold. Gross margin was approximately 31.9% for Fiscal 2021 (2020 – 20.9%).

General and administrative costs

During Fiscal 2021, the Company incurred total G&A costs of $3,402,040 (2020 – $2,893,940), for an increase of $478,100. The year-to-year increase in G&A costs is primarily related to the following items:

- Increase in marketing and sales of $670,487 (2020 – $nil);
- Increase in professional and consulting fees of $331,252, to $640,746 (2020 – $309,494);
- Increase in office expenses of $86,444, to $632,122 (2020 – $545,678); which were partially offset by
- Decrease in salaries and wages of $464,869, to $1,511,501 (2020 – $1,976,370).

G&A costs in the in the Corporate Division increased from $551,854 during Fiscal 2020, to $1,819,088 during Fiscal 2021. The year-to-year increase of $1,297,234 in corporate G&A costs was mainly due to increases in marketing and sales expenses, as a number of investors relations and marketing agreements were entered into by the Company. For the Controls and Mechanical Contracting Division, total G&A costs decreased in Fiscal 2021 to $1,582,952 (2020 – $2,372,086) due to the implementation of cost-cutting measures.

Amortization and depreciation

During Fiscal 2021, amortization and depreciation of $250,003 was fairly consistent as compared to amortization and depreciation of $266,944 is Fiscal 2020. The amortization and depreciation for the current period primarily relate to amortization of ROU assets which are recorded over the term of the leases.

Finance expense

During Fiscal 2021, finance expense increased slightly by $17,874, to $123,410 (2020 – $105,536), as interest and accretion had been recorded from the finance lease obligations and on the Convertible Debentures. In the comparative period, finance expense was primarily related to interest and bank charges on the Company's bank indebtedness and promissory notes.

Share-based payments

During Fiscal 2021, the Company recognized stock-based compensation of $804,814 (2020 – $23,018) related to the vesting of options granted to certain directors, officers and consultants during the year. Stock-based compensation represent a non-cash cost.

Government assistance

During Fiscal 2021, the Company received CEWS funding of $781,249 (2020 – $647,622) and CERS funding of $78,644 (2020 – $nil), respectively, which has been recorded as government assistance on its consolidated statements of loss and comprehensive loss.

Net loss

Overall, the Company reported a total net loss of $1,090,377 for the year ended August 31, 2021 (2020 – net loss of $1,175,970). The Controls and Mechanical Contracting Division recorded a net income of $1,603,693 (2020 – net loss of $646,595), while the Corporate Division reported a net loss of $2,694,070 (2020 – net loss of $525,966). Income of $39,230 from CleanEnergy had been reported as income from discontinued operations for Fiscal 2020.

Cash flows

Net cash provided by operating activities during Fiscal 2021 was $75,233, as compared to net cash provided by operating activities of $332,107 in the comparative period, for an increase in operating spending of $407,340. At the onset of COVID-19, management had implemented cost cutting measures which specifically focused on reducing its ongoing operating expenses. At the same time, VCI's operations continued to generate revenue even though the business was somewhat slowed down by impacts on lockdowns imposed by governments.

Net cash provided by financing activities during Fiscal 2021 was $1,218,865. In January 2021, the Company closed the Offering for gross proceeds of $845,834, as issuance cost, including cash commissions of $89,076, were paid on closing. During the year, the Company also received proceeds of $65,515 and $807,456 (2020 – $nil and $nil), through various exercises of stock options and Warrants, respectively. The cash inflows were offset by interest payments of $69,800 and a redemption for cash of $77,267 on the Convertible Debentures, and payments on finance lease obligations of $263,797. In Fiscal 2020, the Company raised gross proceeds of $1,059,942 from the offering of Convertible Debentures, offset by a repayment on promissory notes of $545,000 and payment of $271,207 on lease obligations, for net cash provided by financing activities of $143,176.

Net cash used in investing activities during Fiscal 2021 was $956,800, as compared to $52,908 in Fiscal 2020. The substantial increase is primarily due to the investment of $1 million for the minority interest in ISBRG. The Company also purchased new property and equipment for $39,495 (2020 – $27,654). The use of funds was offset by proceeds on sale of equipment for $82,695 (2020 – $30,674).

Liquidity and Capital Resources

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. As at August 31, 2021, the Company had a working capital of $2,315,805 (August 31, 2020 – $1,790,035). Working capital provides funds for the Company to meet its operational and capital requirements.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, the 12-month period ending August 31, 2022. Management is aware in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Company has taken and continues to take steps to reduce these losses and ultimately become profitable.

Related Party Transactions

Key management personnel compensation

Key management includes the Company's directors and officers with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

The remuneration for members of key management personnel and directors during the years ended August 31, 2021 and 2020 were as follows:

	2021	2020
	$	$
Management remuneration	**357,428**	365,410
Professional fees	**62,000**	17,180
Stock-based compensation	**316,206**	7,673
	640,206	390,263

Management remuneration

Remuneration of key management personnel of the Company for the year ended August 31, 2021, included short-term compensation of $222,500 and $134,928 for Mr. Hazelton, the Company's CEO and Mr. Carnevale, the CGO, respectively (2020 – $234,151 and $nil). As at August 31, 2021, no balance was owed to any key management personnel (August 31, 2020 – $nil).

Management service agreement

On June 8, 2020, the Company and Branson Corporate Services Ltd. ("Branson"), where the Chief Financial Officer ("CFO") of the Company is employed, entered into a management services agreement, providing for CFO services to the Company, as well as other accounting and administrative services, which are included in professional fees. In consideration for the services provided, the Company agreed to pay an annual fee of $55,000. Effective February 1, 2021, the annual fee was amended to $67,000. During the year ended August 31, 2021, the Company was charged $62,000 (2020 – $17,180) for services provided by Branson. As at August 31, 2021, $6,462 (August 31, 2020 – $6,388) owing to Branson was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Stock-based compensation

On August 26, 2020, the Company granted 600,000 options, of which 200,000 options were granted to a director and an officer. During the year ended August 31, 2021, stock-based compensation of $14,702 (2020 – $7,673) attributable to these options was recorded in connection with the vesting of options.

On October 27, 2020, the Company granted 270,000 options, of which 135,000 options were granted to the CEO of the Company. During the year ended August 31, 2021, stock-based compensation of $32,058 attributable to these options was recorded in connection with the vesting of options.

On December 15, 2020, the Company granted 535,000 options, of which 85,000 options were granted to the CGO of the Company. During the year ended August 31, 2021, stock-based compensation of $21,021 attributable to these options was recorded in connection with the vesting of options.

On February 2, 2021, the Company granted 880,000 options, of which 680,000 options were granted to certain officers and directors. During the year ended August 31, 2021, stock-based compensation of $138,123 attributable to these options was recorded in connection with the vesting of options.

On July 30, 2021, the Company granted 600,000 options to various officers and directors. During the year ended August 31, 2021, stock-based compensation of $110,302 attributable to these options was recorded in connection with the vesting of options.

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. The Company's capital consists of debt and equity. Its principal sources of cash are from operations, and the issuance of common shares and debt. Management intends to maintain a flexible capital structure consistent with the objectives mentioned above and to respond to changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, raise secured debt or refinance existing debt with different characteristics.

The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the management team to sustain the future development of the business.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended August 31, 2021 and 2020.

Financial Instruments and Risk Management

Liquidity risk

The Company is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company monitors and manages its cash flows to assess the liquidity necessary to fund operations.
As at August 31, 2021, the contractual maturities of the Company's financial liabilities are as follows:

	Less than 1	**1 to 3 years**	**3 to 5 years**	**Total**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	1,540,715	-	-	**1,540,715**
Lease commitments	334,627	272,691	61,794	**669,112**
Total	**1,875,342**	**272,691**	**61,794**	**2,209,827**

Credit risk

The Company's cash is held with reputable chartered Canadian financial institutions, and in trust with the Company's legal counsel. Management reviews the strength of these institutions on a regular basis.

Accounts receivable are subject the Company to credit risk. The Company believes the recorded amounts will be collected. Holdbacks are received upon substantial completion of the projects.

The Company's aging of accounts receivable as at August 31, 2021 and 2020 is as follows:

Accounts Receivable Aging	**August 31, 2021**	August 31, 2020
	$	$
Within 30 days	**1,593,659**	817,919
31 to 60 days	**706,644**	435,137
61 to 90 days	**390,512**	321,820
Over 90 days	**118,239**	283,367
Holdbacks	**104,466**	90,564
Expected credit loss	**(6,197)**	(16,515)
Total Accounts Receivable	**2,907,323**	1,932,292

The maximum exposure is limited to the carrying amount of financial assets on the consolidated statements of financial position that includes cash and accounts receivable. As at August 31, 2021, an allowance for ECL of $6,197 (August 31, 2020 – $16,515) has been netted against accounts receivable.

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. The Company's convertible debentures have fixed interest rates. As at August 31, 2021, the Company had no hedging agreements in place with respect to floating interest rates.

Concentration risk

The concentration of revenue generated from major customers is not significant, with the three largest customers combined accounting for approximately 24% of gross revenue for the year ended August 31, 2021 (2020 – 28.4% of gross revenue).

As at August 31, 2021, one particular customer account comprises of approximately 14% of total outstanding accounts receivable, all of which is within 90 days aging.

Foreign exchange risk

The Company purchases a portion of its inventories in United States dollars ("USD") and does not currently engage in hedging activities. Accordingly, the Company is exposed to foreign exchange risk on a portion of its accounts payable and accrued liabilities and its USD bank account balances. However, the foreign exchange exposure to the Company at this time is not significant.

Categories and fair value of financial instruments

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, accounts receivable (excluding HST), investments, accounts payables and accrued liabilities, convertible debentures and lease payable.

The fair value of cash, accounts receivables (excluding HST) and accounts payables and accrued liabilities are approximately equal to their carrying value due to their short-term nature. The fair value of the convertible debenture was determined on its initial recognition using a discount rate of 14%. The Company does not believe this rate would have changed since initial recognition. The carrying value of the convertible debenture differs from its fair value because of the allocation of issuance costs.

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 August 31, 2021, the Company's financial instruments carried at fair value consisted of its investments, which have been classified as Level 2 (for investments in a private-owned entity based on observable price).

Subsequent Events

Subsequent to August 31, 2021, the Company issued a total of 907,431 common shares as a result of the exercise of warrants for total cash proceeds of $90,743.

Subsequent to August 31, 2021, the Company also issued 129,120 common shares to an advertising agency pursuant to the agreement in place with the advertising agency.

Subsequent to August 31, 2021, a lawsuit was filed against the Company by a former employee for a claim of approximately $145,000. The Company believes the employment was terminated for cause. Since it presently is not possible to determine the outcome of this matter, no provision has been made by the Company on its consolidated financial statements.

Outstanding Share Data

As at the date of this MD&A, the number of common shares of the Company outstanding and the number of common shares issuable pursuant to other outstanding securities of UPI are as follows:

Common Shares	Number Outstanding
Issued and Outstanding	49,075,066
Issuable under Options	4,619,900
Issuable under Warrants	5,649,457

Summary of Significant Accounting Policies

Revenue Recognition

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of control of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, revenue is recognized as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

The Company derives revenue from construction contracts which require performance over a time span which may extend beyond one or more accounting periods. The Company recognizes revenue on construction contracts using the percentage-of-completion method. Contract revenue is based on the initial amount agreed in the contract plus any variations in contract if they can be estimated reliably. The percentage-of-completion of a contract is determined by reference to actual costs of work performed and estimates of remaining work to be completed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in the consolidated statements of loss and comprehensive loss.

On an ongoing basis, the estimated total costs for construction contracts are revised based on the information available at the end of the reporting period. Changes in estimated total costs are reflected in the percentage-of-completion calculation of applicable projects in the same period as the change in estimate occurs. Unbilled revenue represents revenue earned in excess of amounts billed on uncompleted contracts. Deferred revenue represents the excess of amounts billed to customers over revenue earned on uncompleted contracts.

Change orders and claims, referred to as contract modifications, are accounted for under IFRS 15, based, among other factors, on the fact that the contract modification is approved, and it is highly probable that a significant reversal in the amount of cumulative revenue recognized on such contract modifications will not occur when the uncertainty is subsequently resolved.

Service revenue is recognized when services have been performed and collection of the receivable is reasonably assured.

Product revenue and repairs revenue are recognized when control is transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits will be received, and the costs incurred or to be incurred can be measured reliably.

Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

On initial recognition, the Company determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss ("FVTPL")
3. Measured at fair value through other comprehensive income ("FVTOCI")

The classification under IFRS 9 – Financial Instruments ("IFRS 9") is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cash flows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met: (i) held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's classification of financial assets and financial liabilities under IFRS 9 are summarized below:

Cash	Amortized cost
Investments	FVTPL
Accounts receivables, excluding HST	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance lease obligations	Amortized cost
Convertible debentures	Amortized cost

Measurement

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition. Transaction costs related to FVTPL assets and liabilities are expensed as incurred.

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses ("ECL"). The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

FVTPL – Changes in fair value after initial recognition, whether realized or not, are recognized through profit or loss. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

FVTOCI – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an ECL model. The ECL model requires the Company to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition.

The Company has applied the simplified approach to recognize lifetime ECL for its accounts receivable. In general, the Company anticipates that the application of the ECL model of IFRS 9 results in earlier recognition of credit losses for the respective items.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred.

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

Gains or losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Inventories

Inventories are valued at the lower of cost and net realizable value.

The costs incurred to bring each product to its present location and condition are accounted for as follows:

- Raw materials, equipment, and spare parts – purchased cost on a first in, first out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment. Likewise, when a major inspection is performed, its cost is recognized in the carrying value of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of loss and comprehensive loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a declining balance basis over the expected useful life of the asset at the following rates:

Office furniture and equipment	– 10 to 20%
Computer equipment	– 30 to 40%
Job equipment	– 20 to 30%
Vehicles	– 20 to 30%
Leasehold improvements	– straight-line over the expected lease term

An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of loss and comprehensive loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed on an annual basis, and adjusted prospectively if appropriate.

Leased Assets

The Company primarily leases office facilities, equipment and vehicles. The Company assesses service arrangements to determine if an asset is explicitly or implicitly specified in the agreement and if the Company has the right to control the use of the identified asset.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company then recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. The Company elected to recognize expenses for leases with a term of 12 months or less on a straight-line basis over the lease term and lease of assets of low value, and not to recognize these short-term leases on the consolidated statements of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, the amount of the remeasurement is recognized as a corresponding adjustment to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

Intangible Assets

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization expense on the intangible assets with finite lives is recognized in the consolidated statements of loss and comprehensive loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of loss and comprehensive loss when the asset is derecognized.

Impairment of Non-Financial Assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset or cash-generating unit ("CGU") may be impaired. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If any indication exists, or when annual impairment testing for an asset or CGU is required, the Company estimates the recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use ("VIU"). Where the carrying value of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered to be impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU, using an appropriate valuation model. These calculations are corroborated by calculation multiples or other available fair value indicators.

Impairment losses are recognized in the consolidated statements of loss and comprehensive loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses no longer exist or may be decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of loss and comprehensive loss.

Indefinite life intangibles are tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for indefinite life intangibles by assessing the recoverable amount of each CGU to which goodwill relates. Where the recoverable amount of the CGU, including indefinite life intangibles, is less than its carrying value, an impairment loss is recognized.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of the economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance expense in the consolidated statements of loss and comprehensive loss.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at August 31, 2021 and 2020, the Company had no material provisions.

Compound Financial Instruments

Compound financial instruments issued by the Company comprised of convertible debentures that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at a fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized using the residual value method, at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component and is included within equity.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method.

The equity component of a compound financial instrument is not remeasured. Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

Income Taxes

Income tax comprises of current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

<u>Estimates</u>

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Share Capital

In situations where the Company issues units, the value of units is bifurcated and the value of warrants is included as a separate reserve for warrants of the Company's equity. The proceeds from the issuance of units are allocated between common shares and warrants on a pro-rated basis using the relative fair value method. The fair value of the common shares is determined using the share price at the date of issuance of the units. The fair value of the warrants is determined the application of the Black-Scholes valuation model ("Black-Scholes").

Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

Share-Based Payments Transactions

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of options is determined using Black–Scholes. The fair value of equity-settled share-based transactions are recognized as an expense with a corresponding increase in share-based payments reserve.

The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Amounts recorded for forfeited or expired unexercised options are transferred to accumulated deficit in the period of forfeiture or expiry. Expired warrants are also transferred to accumulated deficit.

Loss Per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

Government Assistance

The benefits of tax incentives for government subsidy assistance are recognized in the year the qualifying claim is made providing there is reasonable assurance of recoverability. Grants and assistance are recorded based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities.

Government grants and assistance are recognized where there is a reasonable assurance that the grants and assistance will be received, and conditions will be complied with. Government grants and assistance are recognized in other income over the periods in which the Company recognizes expenses which the grants and assistance are intended to compensate.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Management considers the corporate office and the Controls and Mechanical Contracting Division to be its operating segments, as both segments continue to engage in business activities. Their operating results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated and assess their performance, for which discrete financial information available to facilitate the review.

Discontinued Operations

A discontinued operation is a component of the Company that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statements of loss and comprehensive loss.

Significant Accounting Judgments and Estimates

The preparation of the Company's consolidated 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 its 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. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows and the Company's cash position at year-end.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated 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 are 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.

Allowances for expected credit losses

An ECL impairment model applies which requires a loss allowance to be recognized based on ECL. This applies to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in the consolidated statements of loss and comprehensive loss for the period.

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

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of 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. Changes in these assumptions affects the fair value of the options and the amount of stock-based compensation to be recognized in profit or loss over the vesting period.

Income taxes

Management uses estimates when determining deferred income assets. These estimates are used to determine the recoverability of non-capital tax loss carry-forwards and other tax amounts. Significant judgment is required to determine the probable future cash flows in order to recognize the deferred tax asset. Changes in market conditions, changes in tax legislation, and other factors, could adversely affect the ongoing value of deferred tax assets. The carrying amount of deferred income tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to utilize all or part of the deferred income tax assets. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it is probable that there will be sufficient taxable income for the asset to be recovered.

Percentage of completion

The Company measures the percentage of completion using the cost input method in accounting for its contract revenues which requires the Company to determine the contract work performed to date as a proportion of the estimated total contract work to be performed and it is management's judgment that use of the costs to date in proportion to the total estimated costs provides the most appropriate measure of percentage of completion.

Litigation risk and claims risk

Disputes are common in the industry and as such, in the normal course of business, the Company is involved in various legal actions and proceedings which arise from time to time, some of which may be substantial, including the legal proceedings discussed in the "Contingencies" section. The Company must make certain assumptions and rely on estimates regarding potential outcomes of legal proceedings in order to determine if a provision is required.

Estimating and recording the future outcome of litigation proceedings requires management to make significant judgments and assumptions, which are inherently subject to risks and uncertainties.

Management regularly analyzes current information about these matters, and external legal counsel are often used for these assessments. In making decisions regarding the need for provisions, management considers the degree of probability of an unfavorable outcome and the ability to make a sufficiently reliable estimate of the amount of loss. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Company, and there is no guarantee that there will not be a future rise in litigation which, depending on the nature of the litigation, could impact the financial position, results of operations, or cash flows of the Company.

Adoption of New Accounting Policies

The Company adopted the following amendments, effective September 1, 2020. These changes were made in accordance with the applicable transitional provisions.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The Company had assessed that the adoption of these amendments did not have any material impact on the consolidated financial statements.

Conceptual Framework

On March 29, 2018, the IASB issued its revised Conceptual Framework for financial reporting. The revised Conceptual Framework does not constitute a substantial revision from the previously effective guidance, but does provide additional guidance on topics not previously covered such as presentation and disclosure. This revision was effective on September 1, 2020. The Company had assessed that the adoption of the revised Conceptual Framework did not have any material impact on the consolidated financial statements.

Recent Accounting Pronouncements

At the date of authorization of these consolidated financial statements, the IASB and the IFRS Interpretations Committee have issued the following amendments which are effective for annual periods beginning on or after September 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact upon the adoption of the following amendments on its consolidated financial statements:

Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. Early application is permitted.

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

Contingencies

During the year ended August 31, 2019, a lawsuit was filed against the Company by a former employee for a claim of approximately $815,000. The Company believes the employment was terminated for cause. Since it presently is not possible to determine the outcome of this matter, no provision has been made on the Company's unaudited condensed interim consolidated financial statements.

From time to time, the Company is subject to legal proceedings and claims arising in the ordinary course of business. Management is of the opinion, based on information currently available, that it is unlikely that any such liability, to the extent not provided for by insurance or otherwise, would have a material adverse effect to the Company's consolidated financial position, liquidity or results of operations.

Segmented Information

The Company's segments have been organized based on its principal business operations (Corporate, and Controls and Mechanical Contracting), all within Canada. In 2020, the Geoexchange Services operations had been discontinued with the sale of CleanEnergy.

Year ended August 31, 2021	**Corporate**	**Controls and Mechanical Contracting**	**Total**
	$	**$**	**$**
Capital expenditures	-	39,495	39,495
Total assets	1,219,277	4,907,860	6,127,137
Statement of Operations			
Revenue	-	8,817,673	8,817,673
Cost of sales	-	(6,007,035)	(6,007,035)
General and administrative	(1,819,088)	(1,582,952)	(3,402,040)
Depreciation	-	(250,003)	(250,003)
Finance expense	(66,818)	(56,592)	(123,410)
Inventory provision	-	(49,642)	(49,642)
Stock-based compensation	(804,814)	-	(804,814)
Government assistance	-	859,893	859,893
Gain on disposal of equipment	-	82,580	82,580
Gain on derecognition of ROU asset	-	1,443	1,443
Loss on conversion of debt	(3,350)	-	(3,350)
Current tax expense	-	(184,262)	(284,262)
Deferred tax expense	-	(27,410)	(27,410)
Segmented (Loss) Income	**(2,694,070)**	**1,603,693**	**(1,090,377)**

Year ended August 31, 2020	**Corporate**	**Geoexchange Services**	**Controls and Mechanical Contracting**	**Total**
	$	**$**	**$**	**$**
Capital expenditures	-	-	27,654	27,654
Total assets	486,876	-	3,434,815	3,921,691
Statement of operations				
Revenue	-	-	9,939,576	9,939,576
Cost of sales	-	-	(7,860,138)	(7,860,138)
General and administrative	(521,854)	-	(2,372,086)	(2,893,940)
Impairment loss	-	-	(734,802)	(734,802)
Depreciation	-	-	(266,944)	(266,944)
Finance expense	(23,733)	-	(81,803)	(105,536)
Inventory provision	-	-	(27,076)	(27,076)
Share-based payments	(23,018)	-	-	(23,018)
Gain on disposal of equipment	-	-	24,140	24,140
Government assistance	-	-	647,622	647,622
Discontinued operations	42,639	(3,409)	-	39,230
Current tax recovery	-	-	49,141	49,141
Deferred tax recovery	-	-	35,775	35,775
Segmented Loss	**(525,966)**	**(3,409)**	**(646,595)**	**(1,175,970)**

Risk Factors

The Company's overall performance and results of operations are subject to a number of risks and uncertainties. The Company is subject to certain risks and uncertainties from both financial and operational factors. Some of the key risks are highlighted as follows:

Going concern risk

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

During the year ended August 31, 2021, the Company reported a net loss from continuing operations of $1,090,377 (2020 – net loss from continuing operations of $1,215,200). As at August 31, 2021, the Company had a working capital of $2,315,805 (August 31, 2020 – $1,790,035) and an accumulated deficit of $22,802,385 (August 31, 2020 – $22,187,008). Amid the continued evolution of COVID-19, there remains significant doubt surrounding the Company's ability to continue as a going concern. In terms of its current operations, in addition to increasing revenues and decreasing costs, the Company may require additional financing in the form of debt or equity. Failure to obtain such financing could result in delay or indefinite postponement of the Company's strategic goals. The 2021 Financials do not include any adjustments to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Additional financing

The Company believes that its raised capital is sufficient to meet its presently anticipated working capital and capital expenditure requirements for the near future. This belief is based on its operating plan which, in turn, is based on assumptions, which may prove to be incorrect. In addition, the Company may need to raise significant additional funds sooner to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing to meet its plans for expansion. The Company cannot be sure that this additional financing, if needed, will be available on acceptable terms or at all.

Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Volatile global financial and economic conditions

Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial condition could be adversely impacted.

Revenue risk

The Company may experience delays in achieving revenues. Revenues may be delayed or negatively impacted by issues encountered by the Company or its customers including:

- unforeseen engineering and environmental problems;
- delays or inability to obtain required financing, licenses, permits and regulatory approvals;
- supply interruptions or labour disputes;
- foreign exchange fluctuations and collection risk; and
- competition from other suppliers or alternate less capital-intensive energy solutions.

There is no assurance that the business will perform as expected or that returns from the business will support the expenditures needed to develop it.

Sales cycle and fixed price contracts

The Company may enter into sales contracts with fixed pricing, which may be impacted by changes over the period of implementation. The success of sales execution will require collaboration between the Company and its customers.

There is no assurance that delays or problems in the implementation process used for all customers will not adversely affect the Company's activities, operating results or financial position.

Sensitivity to fixed costs

Fixed costs, including costs associated with operating losses, leases, labour costs and depreciation will account for a significant portion of the Company's costs and expenses. As a result, reduced productivity resulting from reduced demand, equipment failure, weather or other factors could significantly affect financial results.

Reliance on management and key personnel

The Company's success and future operations are dependent upon the abilities, expertise, experience, judgment and efforts of senior management and key technical and field personnel of the Company. Any loss of the services of these personnel could have a materially adverse impact on the Company's business, technical capabilities, operating results or financial condition or could result in delays to or abandonment of the Company's projects.

Loss of contracts

The Company may lose contracts or customer arrangements through competitive bidding or early termination, which would cause its revenue and profitability to decline. In addition, some customers of the Company may terminate their contracts or arrangements before the end of the contract term. If the Company loses contracts or customer arrangements through competitive bidding, early termination or other competitive pressures, it may not be able to replace the lost revenue, which will result in a decrease in its revenue. Whether the Company will be the successful bidder for any particular contract is subject to significant uncertainty.

Competition

The Controls and Mechanical Contracting industry is competitive; however, it is anticipated that the Company will be one of a smaller number of public companies offering a turn-key solution. There are smaller privately-owned companies which are providing segments of the process but not a complete solution. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of a complete solution that competes with those of the Company or that new or existing competitors will not enter the various markets in which the Company will be active.

There can be no assurance that the Company's competitors will not develop new and unknown technologies, with which the Company may have difficulty competing. As well, without remaining cost competitive there is also a risk that the Company may lose business to its competitors.

Dependence on suppliers

The ability of the Company to compete and grow will be dependent on the Company having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. Failure of suppliers to deliver such skilled labour, equipment, parts and components at a reasonable cost and in a timely manner would be detrimental to the Company's ability to compete and grow. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

Environmental liability

The Company will be subject to various environmental laws and regulations enacted in the jurisdictions in which it operates which govern the manufacture, processing, importation, transportation, handling and disposal of certain materials used in the Company's operations. There can be no assurance that the Company's procedures will prevent environmental damage occurring from spills of materials handled by the Company or that such damage has not already occurred. On occasion, substantial liabilities to third parties may be incurred. The Company may have the benefit of insurance maintained by it or the operator, however, the Company may become liable for damages against which it cannot adequately insure or against which it may elect not to insure because of high costs or other reasons.

Private or illiquid securities

The Company invests in securities of private issuers with a near term plan to complete a going public transaction. Investments in private issuers may offer relatively high potential returns, but will also be subject to a relatively high degree of risk. There can be no assurance that a public market will develop for a private company investment or that the Company will otherwise be able to realize a return on such investments. The Company may also invest in illiquid securities of public issuers. A period of time may elapse between the time a decision is made to sell such securities and the time the Company is able to do so, and the value of such securities could decline during such period. Illiquid investments are subject to various risks, particularly the risk that the Company will be unable to realize the Company's investment objectives by sale or other disposition at attractive prices or otherwise be unable to complete any exit strategy.

Limited market for securities

There can be no assurance that an active and liquid market for the Company's shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

The market price of securities is volatile and may not accurately reflect the long-term value of the Company

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of common shares or Warrants to sell their securities at an advantageous price. Market price fluctuations in the common shares and Warrants may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the shares and warrants.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares and warrants may decline even if the Company's investment results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in investment values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the shares and warrants may be materially adversely affected.

Internal controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company's common shares.

Liability for activity of employees, contractors and consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims or regulatory enforcement actions against the Company. Failure to comply with relevant laws could result in fines, suspension of licenses and civil or criminal action being taken against the Company. Consequently, the Company is subject to certain risks, including the risk that employees, contractors and consultants may inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition of the Company.

Disruption of business

Conditions or events including, but not limited to, those listed below could disrupt the Company's operations, increase operating expenses, resulting in delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, "Public Health Crises, including COVID-19"); (iii) political instability, social and labour unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

Public health crises

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond our control, including the current outbreak of COVID-19. On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a global health emergency. Many governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines and a general reduction in consumer activity. While these effects are expected to be temporary, the duration of the business disruptions and related financial impact cannot be reasonably estimated at this time.

Such public health crises can result in volatility and disruptions in the supply and demand for various products and services, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect interest rates, credit ratings, credit risk and inflation. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

Disclosure of Internal Controls over Financial Reporting

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited financial statements; and (ii) the audited consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. In contrast to non-venture issuers this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

Caution Regarding Forward-Looking Information

Certain information contained in this MD&A constitutes forward-looking information, which is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated investment activities and results, the impact of changes in accounting policies and other factors on our operating results, and the performance of global capital markets and interest rates.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to our ability to generate revenue and cash flows from operations, market fluctuations, the strength of the Canadian, and other economies, political and economic conditions in the regions where the Company's main businesses are operated, and other risks included elsewhere in this MD&A under the headings "Risk Factors" and "Financial Instruments and Risk Management" and in the Company's other public disclosure documents filed with certain Canadian securities regulatory authorities and available under UPI's profile at www.sedar.com.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this MD&A. The 2021 Financials have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the 2021 Financials in all material aspects.

The Audit Committee has reviewed the 2021 Financials and this MD&A with management of UPI. The Board of the Company has approved the 2021 Financials and this MD&A on the recommendation of the Audit Committee.

Additional Information

Additional information relating to UPI, including its annual management information circular for the Company's most recently completed financial year, is available under the Company's profile on SEDAR at www.sedar.com.

December 10, 2021

Christopher Hazelton
Chief Executive Officer

SCHEDULE “E”

Unaudited Pro Forma Consolidated Financial Statements of Resulting Issuer

BrandPilot AI Inc.

(Formerly, Universal PropTech Inc.)

Unaudited Pro Forma Consolidated Financial Statements as at February 29, 2024

(In Canadian dollars)

BrandPilot AI Inc. (formerly Universal PropTech Inc.)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at February 29, 2024

(Expressed in Canadian Dollars)

		Xemoto private placement (note 2(a))	Stock success fee (note 2(b))	Estimated costs to complete the Transaction (note 2(g))	Shares issued for services (note 2(h))	Debenture (note 2(i))	Adjusted **Xemoto** 31-Dec-23	**UPI** 29-Feb-24	Settlement payment (note 2(l))	Adjusted **UPI** 29-Feb-24	RTO transaction (note 2(e,f))	**Pro Forma Consolidated** 29-Feb-24
Assets												
Cash	$ 107,297	$ 250,000	$ -	$ (100,000)	$ -	$ 300,000	$ 557,297	$ 1,970,292	$ -	$ 1,970,292	$ -	$ 2,527,589
Prepaid expenses	-	-	-	-	-	-	-	151,359	-	151,359	-	151,359
Other receivables	-	-	-	-	-	-	-	350,000	-	350,000	(250,000)	100,000
Accounts receivable	51,736		-	-	-	-	51,736	33,378	-	33,378	-	85,114
Total (current) assets	$ 159,033	$ 250,000	$ -	$ (100,000)	$ -	$ 300,000	$ 609,033	$ 2,505,029	$ -	$ 2,505,029	$ (250,000)	$ 2,864,062
Other receivables								380,000	(325,000)	55,000		55,000
Computer equipment, software and intangibles	$ 51,504	$ -	$ -	$ -	$ -	$ -	51,504	-	-	-	-	51,504
Total Assets	$ 210,537	$ 250,000	$ -	$ (100,000)	$ -	$ 300,000	$ 660,537	$ 2,885,029	$ (325,000)	$ 2,560,029	$ (250,000)	$ 2,970,566
Liabilities and Shareholders' Equity (Deficiency)												
Liabilities:												
Accounts receivable and accrued liabilities	$ 813,667	$ -	$ -	$ -	$ -	$ -	$ 813,667	$ 80,176	$ -	$ 80,176	$ -	$ 893,843
Notes payable	67,000	-	-	-	-	-	67,000	-	-	-	-	67,000
Deferred revenue	93,883	-	-	-	-	-	93,883	-	-	-	-	93,883
BDC loan - current portion	48,740	-	-	-	-	-	48,740	-	-	-	-	48,740
UPI loan	250,000	-	-	-	-	-	250,000	-	-	-	(250,000)	-
Total current liabilities	1,273,290	-	-	-	-	-	1,273,290	80,176	-	80,176	(250,000)	1,103,466
BDC loan	201,260	-	-	-	-	-	201,260	-	-	-	-	201,260
Convertible debenture	87,907	-	-	-	-	243,263	331,170	-	-	-	-	331,170
Total liabilities	1,562,457	-	-	-	-	243,263	1,805,720	80,176	-	80,176	(250,000)	1,635,896
Shareholders' equity:												
Share capital	2,947,385	250,000	63,568	-	40,000	-	3,300,953	23,400,548	-	23,400,548	(20,617,728)	6,083,773
Equity component of debentures	7,704	-	-	-	-	-	7,704	-	-	-	97,033	104,737
Reserve for share-based payments	174,636	-	-	-	-	-	174,636	1,934,206	-	1,934,206	(1,934,206)	174,636
Reserve for warrants	1,326,247	-	-	-	-	56,737	1,382,984	-	-	-	-	1,382,984
Accumulated deficit	(5,807,892)	-	(63,568)	(100,000)	(40,000)	-	(6,011,460)	(22,529,901)	(325,000)	(22,854,901)	22,454,901	(6,411,460)
Total shareholders' equity (deficiency)	(1,351,920)	250,000	-	(100,000)	-	56,737	(1,145,183)	2,804,853	(325,000)	2,479,853	-	1,334,670
		250,000	$ -	$ (100,000)	$ -	$ 300,000	$ 660,537	$ 2,885,029	$ (325,000)	$ 2,560,029	$ (250,000)	$ 2,970,566

The accompanying notes are an integral part of this unaudited pro forma statement of financial position

BrandPilot AI Inc. (formerly Universal PropTech Inc.)

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT

(Expressed in Canadian Dollars)

	Xemoto (i)	UPI (ii)	Adjustments (iii)	Pro Forma Consolidated
REVENUE				
Sales	$ 552,564	-	-	**$ 552,564**
Cost of sales	(297,609)	-	-	**(297,609)**
GROSS PROFIT	254,955	-	-	**254,955**
EXPENSES				
Salaries and consulting	$ 962,824	$ 960,753	$ -	**$ 1,923,577**
Professional fees	807,678	404,628	-	**1,212,306**
Share based compensation	54,876	-	-	**54,876**
Research and development	(50,030)	-	-	**(50,030)**
Office and general	58,578	123,805	-	**182,383**
Marketing and advertising	29,337	6,666	-	**36,003**
Amortization	25,335	-	-	**25,335**
Travel, meals and entertainment	5,790	38,553	-	**44,343**
Listing expense	-	-	400,000	**400,000**
Finance costs	28,924	1,054	-	**29,978**
TOTAL EXPENSES	(1,923,313)	(1,535,459)	(400,000)	**(3,858,772)**
OTHER ITEMS				
Other income	(140,325)	76,881	-	**(63,444)**
Fair value adjustment	-	(1,000,000)	-	**(1,000,000)**
NET LOSS	$ (1,808,683)	$ (2,458,578)	$ (400,000)	**$ (4,667,261)**

(i) Results are based on the year ended March 31, 2023, adding the results for the 6 months ended September 30, 2023, and deducting the results for the 6 months ended September 30, 2022.

(ii) Results for the year ended August 31, 2023 have been used (for only continuing operations. Discontinued operations have been excluded).

(iii) Listing cost of BrandPilot to acquire the public listing (note 2(f))

(iv)the financial statements of the business used to prepare the pro forma financial statements were prepared for the purpose of the pro forma financial statements and do not conform with the financial statements for the business included elsewhere in the prospectus;

BrandPilot AI Inc. (formerly Universal PropTech Inc.)

UNAUDITED PRO FORMA INTERIM CONSOLIDATED INCOME STATEMENT

(Expressed in Canadian Dollars)

	Xemoto (i)	UPI (ii)	Adjustments (iii)	Pro Forma Consolidated
REVENUE				
Sales	$ 323,404	-	-	**$ 323,404**
Cost of sales	(166,241)	-	-	**(166,241)**
GROSS PROFIT	157,163	-	-	**157,163**
EXPENSES				
Salaries and consulting	$ 503,094	$ -	$ -	**$ 503,094**
Professional fees	243,810	-	-	**243,810**
Share based compensation	33,076	38,600	-	**71,676**
Research and development	13,043	-	-	**13,043**
Office and general	29,599	326,331	-	**355,930**
Marketing and advertising	18,477	-	-	**18,477**
Amortization	12,667	-	-	**12,667**
Travel, meals and entertainment	3,878	-	-	**3,878**
Listing expense	-	-	400,000	**400,000**
Finance costs	18,054	-	-	**18,054**
TOTAL EXPENSES	(875,698)	(364,931)	(400,000)	**(1,640,629)**
OTHER ITEMS				
Other income	(140,405)	43,180	-	**(97,225)**
Fair value adjustment	-	-	-	**-**
NET LOSS	$ (858,940)	$ (321,751)	$ (400,000)	**$ (1,580,691)**

(i) Results are based on the six months ended September 30, 2023.

(ii) Results are based on the six months ended February 29, 2024

(iii) Listing cost of BrandPilot to acquire the public listing (note 2(f))

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated statement of financial position of Universal PropTech Inc. ("UPI") and Xemoto Media Inc. ("Xemoto") has been prepared by management to reflect the proposed transactions described in Note 2, and with information derived from, and should be read in conjunction with, the following.

The unaudited pro forma consolidated statement of financial position (which have been compiled from):

1. The unaudited interim financial statements of UPI for the three and six months ended February 29, 2024 and;

2. The unaudited interim financial statements of Xemoto for the three and nine months ended December 31, 2023.

The unaudited annual pro forma income statement (which have been compiled from):

1. The audited financial statements of Xemoto for the year ended March 31, 2023, adjusted by adding the results for the six months ended September 30, 2023 and deducting the results for the six months ended September 30, 2022 and;

2. The audited financial statements of UPI for the year ended August 31, 2023.

The unaudited interim pro forma income statement (which have been compiled from):

1. The unaudited financial statements of Xemoto for the six months ended September 30, 2023 and;

2. The unaudited financial statements of UPI for the six months ended February 29, 2024.

The financial statements used to prepare the pro forma financial statements were prepared for the purpose of the pro forma financial statements and do not conform with the financial statements for the business included elsewhere in the prospectus.

This unaudited pro forma consolidated statement of financial position has been presented assuming the change of business transaction (the "COB") (see Note 2) between UPI, Xemoto and 1000764922 Ontario Inc., a wholly-owned subsidiary of UPI ("Subco"), had been completed on February 29, 2024.

The COB has been accounted for in accordance with IFRS 2, Share-Based Payment. The COB is considered a reverse takeover of UPI by Xemoto. A reverse takeover transaction involving a non-public operating entity and a non-operating company is in substance a share-based payment transaction, rather than a business combination. The COB is equivalent to the issuance of common shares in the capital of Xemoto ("Xemoto Shares") for the net assets and the public listing status of the non-operating company, UPI.

2. ASSUMPTIONS AND PRO FORMA ADJUSTMENTS

The unaudited pro forma consolidated statement of financial position has been prepared by management, and, in the opinion of management, includes all adjustments necessary for fair presentation. No adjustments have been made to reflect additional costs or cost savings that could result from the combination of the operations of Xemoto and UPI, as management does not anticipate any material costs or cost savings as a result of the COB.

The unaudited pro forma consolidated statement of financial position has been prepared for illustration purposes only and may not be indicative of the combined results or financial position had the COB been in effect at the date indicated. The unaudited pro forma consolidated statement of financial position should be read in conjunction with other information contained in the listing statement prepared by UPI in accordance with the requirements set out in Canadian Securities Exchange policies.

The pro forma adjustments contained in the unaudited pro forma consolidated statement of financial position are based on estimates and assumptions by management of Xemoto based on available information and the receipt and closing of the COB ("Closing") and associated private placements as if they had occurred on February 29, 2024.

On February 6, 2024, UPI, Xemoto and Subco entered into an acquisition agreement (the "Acquisition Agreement"), which sets forth the terms and conditions of the COB. Pursuant to the terms of the Acquisition Agreement, the COB will be completed by way of a three-cornered amalgamation whereby Subco will amalgamate with Xemoto to form one single corporation, which will be a wholly-owned subsidiary of UPI. Furthermore, holders of Xemoto Shares will receive 0.225 of a common share in the capital of UPI (each whole share being a "UPI Share") for each Xemoto Share (the "Exchange Ratio") held; and all outstanding securities convertible into Xemoto Shares will be exchanged, based on the Exchange Ratio, for equivalent securities to purchase UPI Shares on substantially similar terms and conditions.

Following completion of the COB, the Resulting Issuer will hold all Xemoto's assets and conduct the business of Xemoto, and will change its name to BrandPilot AI Inc.

Pursuant to the terms of the COB, the unaudited pro forma consolidated statement of financial position gives effect to the following assumptions and adjustments:

(a) Prior to Closing, Xemoto will close an equity financing for proceeds of up to $250,000, through the issuance of 5,625,000 common shares (after applying the Exchange Ratio).

(b) Prior to Closing, Xemoto will pay a stock success fee through the issuance of 1,442,122 common shares (after applying the Exchange Ratio).

(c) Xemoto has 155,201,409 Xemoto Shares issued and outstanding at February 29, 2024, being 34,920,317 common shares (after applying the Exchange Ratio).

(Expressed in Canadian dollars)

2. ASSUMPTIONS AND PRO FORMA ADJUSTMENTS

Other assumptions:

(d) Xemoto is the deemed the accounting acquirer, and deemed to have issued 49,217,408 common shares, to acquire 100% of UPI.

(e) Share capital, contributed surplus and the deficit of UPI are eliminated.

(f) The fair value of the consideration is as follows:

The fair value of the consideration is as follows:		
Deemed issuance 49,217,408 common shares to the former shareholders of UPI (i)	$	2,782,820
Deemed issuance 3,075,000 stock options to the former shareholders of UPI (i)		97,033
	$	2,879,853
Fair value of net assets:		
Cash	$	1,970,292
Prepaid expenses		151,359
Other receivables		350,000
Accounts receivable		33,378
Other receivables		55,000
Accounts payable and accrued liabilities		(80,176)
	$	2,479,853
Listing expense	$	400,000

(i) *Deemed value of fair value of the shares issued is based on the fair value of the assets of UPI, and the deemed valued based on an assumed listing expense of approximately $400,000.*

(g) Additional costs associated with the COB which have not been incurred are estimated to be approximately $100,000.

(h) In satisfaction of an aggregate of $40,000 owing to four directors of Xemoto for previously performed services, on January 12, 2024, Xemoto issued an aggregate of 4,000,000 Xemoto Shares (900,000 common shares of the Resulting Issuer) at an issue price of $0.01 per Xemoto Share ($0.044 after applying the Exchange Ratio).

2. ASSUMPTIONS AND PRO FORMA ADJUSTMENTS

(i) On March 15, 2024, Xemoto issued 300 debenture units, priced at $1,000 per unit, for gross proceeds of $300,000. Each unit is comprised of (i) $1,176 principal amount senior secured convertible debentures and (ii) 22,500 common share purchase warrants of the Resulting Issuer ("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 of the Resulting Issuer are not listed for trading on a recognized stock exchange on or before such date. At the maturity date, the principal amount outstanding on the debentures will be repaid by the Resulting Issuer in cash. The Secured 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 $243,263 using a discount rate of 15%.

The principal amount of each debenture is convertible into common shares of the Resulting Issuer at a conversion price of $0.025 per common share at the option of the holder at any time.

Each Warrant entitles the holder to acquire one common share of the Resulting Issuer at any time on or before the 36-month anniversary of the listing of the Resulting Issuer on a recognized stock exchange, at an exercise price of $0.067 per common share of the Resulting Issuer.

(j) The pro forma effective income tax rate applicable will be approximately 28%.

(k) The COB receives all regulatory and shareholder approvals.

(l) Adjustment for a settlement agreement of a wrongful dismissal claim, pursuant to which the Company agreed to pay $325,000 to a former employee of a former subsidiary of UPI, VCI Controls Inc. (“**VCI**”). The settlement amount was offset against a receivable which represented a holdback to be released from the previous sale of VCI, following full and final settlement, final non-appealable judgement or final termination of certain identified legal proceedings involving VCI.

(Expressed in Canadian dollars)

3. PRO FORMA SHARE CAPITAL

(a) Common shares

	Notes	Number of shares	Dollar amount
Balance of UPI February 29, 2024		49,217,408	$ 23,400,548
Xemoto equity financing prior to closing RTO	2(a)	5,625,000	250,000
Shares issued in exchange for all Xemoto shares (post exchange ratio)	2(c)	34,920,317	2,987,385
Elimination of UPI capital on RTO	2(e)	-	(23,400,548)
Stock success fee	2(b)	1,430,280	63,568
Acquisition of UPI at fair value	2(f)	-	2,782,820
Pro forma share capital		**91,193,005**	**$ 6,083,773**

(b) Options

UPI Options

Date of expiry	**Number of options outstanding**	**Number of options exercisable**	**Exercise price**
	#	**#**	**$**
July 30, 2024	300,000	300,000	0.30
August 22, 2025	550,000	550,000	0.10
February 2, 2026	2,000,000	-	0.16
February 26, 2027	225,000	-	0.08
	3,075,000	**850,000**	

The UPI options listed above have been adjusted to reflect activity from March 1, 2024 to the date of June 28, 2024.

Xemoto options to be issued as Resulting Issuer options:

Date of expiry	**Number of options outstanding**	**Number of options exercisable**	**Exercise price**
	#	**#**	**$**
September 16, 2027	90,000	90,000	0.22
October 13, 2028	375,000	375,000	0.14
October 13, 2028	375,000	375,000	0.14
October 13, 2028	375,000	375,000	0.14
January 12, 2029	900,000	900,000	0.05
January 12, 2029	897,750	-	0.05
January 12, 2029	450,000	150,000	0.05
April 26, 2029	315,000	-	0.05
April 26, 2029	1,125,000	-	0.14
April 26, 2029	1,000,000	375,000	0.05
	5,902,750	**2,640,000**	
Total resulting issuer options	**8,977,750**	**3,490,000**	**0.15**

(Expressed in Canadian dollars)

3. PRO FORMA SHARE CAPITAL (continued)

(c) RSUs

The following table summarizes the proforma number of RSUs outstanding (all outstanding in Xemoto):

Date of expiry	Number of RSUs outstanding	Number of RSUs exercisable	Exercise price
	#	#	$
May 22, 2026	315,000	-	0.04

(d) Warrants

The following table summarizes the proforma number of Warrants outstanding (all outstanding in Xemoto):

Date of expiry	Number of warrants outstanding	Exercise price
	#	$
February 17, 2027	2,714,354	0.53
February 18, 2027	1,602,000	0.53
February 18, 2027	*256,320	0.22
March 18, 2027	208,125	0.53
March 18, 2027	*33,300	0.22
June 8, 2027	128,099	0.53
July 11, 2027	1,057,500	0.53
July 11, 2027	*169,200	0.22
January 12, 2028	135,000	0.53
January 12, 2028	*18,000	0.22
36-month anniversary of the listing of the Resulting Issuer Shares (2(i))	6,750,000	0.067
	13,071,898	**0.28**

***Broker warrants**

SCHEDULE “F”

AUDIT COMMITTEE CHARTER

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

I. PURPOSE

The overall purpose of the audit committee (the "**Committee**") is to provide oversight of BrandPilot AI Inc.'s (the "**Corporation**") financial management and the design and implementation of an effective system of internal financial controls, to review and report to the board of directors (the "**Board**") on the integrity of the financial statements of the Corporation, and to oversee, report, and make recommendations to the Board in respect of financial and non-financial risks faced by the Corporation.

II. PROCEDURES AND ORGANIZATION

A. The Committee shall consist of at least three Board members, who are each financially literate.

B. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the Committee's chair (the "**Chair**") and members of the Committee for the ensuing year. It is desirable that at least one member of the previous Committee be carried over to any newly constituted Committee. Any member may be removed from the Committee or replaced at any time by the Board and shall cease to be a member of the Committee upon ceasing to be a director of the Board.

C. The Corporate Secretary of the Corporation shall be the secretary of the Committee (the "**Secretary**"), unless otherwise determined by the Committee.

D. In the absence of the Chair or Secretary at any meeting of the Committee, the members present at the meeting shall appoint one of their members to act as chair of the Committee meeting and shall designate any director, officer, or employee of the Corporation to act as secretary.

E. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to and hear each other.

F. The Committee shall have access to such officers and employees of the Corporation, to the Corporation's independent auditors, and to such information and records of the Corporation as it considers necessary or advisable in order to perform its duties and responsibilities.

G. Meetings of the Committee shall be conducted as follows:

(i) the Committee shall meet at least four (4) times annually at such times and at such locations as may be requested by the Chair, one of which shall be to review the annual financial statements of the Corporation and three of which shall be to review the interim financial statements of the Corporation. Notice of meetings shall be given to each member not less than twenty four (24) hours before the time of the meeting. However, meetings of the Committee may be held without formal notice if all the members are present and do not object to notice not having been given, or if those absent waive notice in any manner before or after the meeting.

(ii) notice of meeting may be given verbally or by letter, facsimile, email or telephone and need not be accompanied by an agenda or any other material. The notice shall specify the purpose of the meeting;

(iii) the independent auditors shall receive notice of and be entitled to attend all meetings of the Committee; and

(iv) management representatives shall be invited to attend meetings as determined by the Committee, with the exception of those meetings deemed by the Committee as executive sessions and private sessions with the independent auditors.

H. The independent auditors shall have a direct line of communication to the Committee through its Chair. The Committee, through its Chair, may contact an employee in the Corporation as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.

I. The Committee shall take to the Board at its next regular meeting all such action it has taken since the previous report.

J. The Chair shall call and convene a meeting of the Committee at the request of the Chief Executive Officer, a member of the Committee, or the independent auditors of the Corporation.

K. Any matter to be voted upon shall be decided by a majority of the votes cast on the question. In the case of an equality of votes, the Chair shall be entitled to a second or the deciding vote.

III. DUTIES AND RESPONSIBILITIES

A. The general duties and responsibilities of the Committee shall be as follows:

(i) to review the annual (consolidated) financial statements of the Corporation, including the notes and management discussion and analysis thereto, and recommend whether such financial statements should be approved by the Board;

(ii) to assist the Board in the discharge of its fiduciary responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls;

(iii) to provide oversight of the management of the Corporation in designing, implementing and maintaining an effective system of internal controls; and

(iv) to report regularly to the Board on the fulfillment of its duties and responsibilities.

B. The duties and responsibilities of the Committee as they relate to the independent auditors shall be as follows:

(i) to recommend to the Board a firm of auditors, established by the Committee to be independent, for recommendation to the shareholders of the Corporation for appointment by the Corporation;

(ii) to review the fee, scope and timing of the audit and other related services rendered by the independent auditors and recommend to the Board the compensation of the independent auditors;

(iii) to pre-approve all non-audit services to be provided to the Corporation by the independent auditors or, alternatively, to adopt specific policies and procedures for the engagement of non-audit services; and

(iv) to provide oversight of the work of the independent auditors and then to review with the independent auditors, upon completion of their audit:

(a) contents of their report:

(b) scope and quality of the audit work performed;

(c) adequacy of the Corporation's financial and auditing personnel;

(d) cooperation received from the Corporation's personnel during the audit;

(e) internal resources used;

(f) significant transactions outside of the normal business of the Corporation;

(g) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems;

(h) the non-audit services provided by the independent auditors; and

(i) "management" letters and recommendations and management's response and follow-up of any identified issues or weaknesses.

C. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation shall be:

(i) to review the appropriateness of the Corporation's policies and practices with respect to internal auditing, insurance, accounting and financial controls, including through discussions with the chief executive officer and chief financial officer;

(ii) to review any unresolved issues between management and the independent auditors that could affect financial reporting or internal controls of the Corporation;

(iii) to review the appropriateness and soundness of the Corporation's procedures for the review of the Corporation's disclosure of financial information extracted or derived from its financial statements;

(iv) to establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters;

(v) to establish procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and

(vi) to periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the staff or by the independent auditors have been implemented.

D. The duties and responsibilities of the Committee as they relate to risk management shall be:

(i) to inquire of management and the dependent auditor about significant business, political, financial and control risk or exposure to such risk;

(ii) to document the material risks that the corporation faces and update as events change and risks shift;

(iii) to assess the steps management has taken to control identified risks to the Corporation, such as the use of hedging and insurance;

(iv) to review, at least annually, and more frequently if necessary, the Corporation's policies for risk assessment and risk management (the identification, monitoring, and mitigation of risks);

(v) to submit risk reports to the board and the independent auditors;

(vi) to review the following with management, with the objective of obtaining reasonable assurance that financial risk is being effectively managed and controlled:

(a) management's tolerance for financial risks;

(b) management's assessment of significant financial risks facing the Corporation; and

(c) the Corporation's policies, plans, processes and any proposed changes to those policies for controlling significant financial risks; and

(vii) to review with the Corporation's counsel legal matters which could have a material impact on the financial statements.

E. Other responsibilities of the Committee shall be:

(i) to review the Corporation's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and the associated management discussion and analysis;

(ii) to review, appraise and report to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;

(iii) to review any earnings press releases before the Corporation publicly discloses such information;

(iv) to review the appropriateness of the accounting policies used in the preparation of the Corporation's financial statements, and consider recommendations for any material change to such policies;

(v) to review and approve the hiring policies of the Corporation regarding employees and former employees of the present and former independent auditors of the Corporation;

(vi) to review with the Corporation's counsel legal matters which could have a material impact on the financial statements;

(vii) to determine that the Corporation has implemented adequate internal controls to ensure compliance with legal, ethical and regulatory requirements and that these controls are operating effectively; and

(viii) to develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board.

F. In the carrying out of its responsibilities, the Committee has the authority:

(i) to engage independent counsel and other advisors at the expense of the Corporation, as may be appropriate in the determination of the Committee;

(ii) to set and pay the compensation for any advisors employed by the Committee; and

(iii) to communicate directly with the internal and external auditors.

G. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services, so long as the pre-approval is presented to the full Committee at its first scheduled meeting following such pre-approval.