Xemoto Media Ltd.

Financial Statements

For the Years Ended March 31, 2024 and 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, 2024 and 2023, 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 material 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, 2024 and 2023 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.

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.

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
July 29, 2024

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Xemoto Media Ltd.
Statements of Financial Position
(Expressed in Canadian Dollars)

	As at March 31, 2024	As at March 31, 2023
	$	$
Assets		
Current Assets		
Cash	**93,861**	42,874
Accounts receivable (Note 4)	**53,287**	10,303
Total Current Assets	**147,148**	53,177
Computer equipment and software (Note 5)	**45,170**	70,504
Total Assets	**192,318**	123,681
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	**1,093,128**	923,491
Notes payable (Note 7)	**242,000**	280,500
Deferred revenue	**94,574**	127,489
Loan payable (Note 7)	**250,000**	-
BDC Loan – current portion (Note 8)	**41,640**	-
Total Current Liabilities	**1,721,342**	1,331,480
BDC Loan (Note 8)	**201,260**	125,000
Convertible debenture (Note 9)	**223,583**	-
Total Liabilities	**2,146,185**	1,456,480
Shareholders' Equity		
Share capital (Note 10)	**2,987,385**	1,680,272
Equity component of convertible debenture (Note 9)	**7,704**	-
Reserve for share-based payments (Note 11)	**233,750**	146,712
Reserve for Warrants (Note 12)	**1,330,995**	1,326,247
Accumulated deficit	**(6,513,702)**	(4,486,030)
Total Equity	**(1,953,868)**	(1,332,799)
Total Liabilities and Shareholders' Equity	**192,318**	123,681

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

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, 2024 and 2023
(Expressed in Canadian Dollars)

	2024	2023
	$	$
Revenue		
Sales	**464,372**	306,663
Cost of sales	**(267,697)**	(178,821)
Gross Profit (loss)	**196,675**	127,842
Expenses		
Salaries and consulting fees (Note 13)	**793,075**	1,147,199
Professional fees (Note 13)	**972,789**	665,305
Share-based compensation (Note 11, 12 and 13)	**114,551**	73,794
Research and development	**37,716**	72,924
Office and general	**123,580**	59,853
Marketing and advertising	**62,208**	52,276
Amortization on computer equipment and software (Note 5)	**25,334**	24,908
Travel, meals and entertainment	**10,454**	7,802
	(2,139,707)	(2,104,061)
Loss before Other Expenses	**(1,943,032)**	(1,976,219)
Other Income (Expenses)		
Interest and accretion (Note 7,8 and 9)	**(45,088)**	(11,112)
Foreign exchange loss	**(8,500)**	(9,304)
Gain on settlement of debt (Note 10)	**(136,764)**	3,116
SR&ED tax refund	**105,712**	-
Total Other Income (Expenses)	**(84,640)**	(17,300)
Net Comprehensive Loss	**(2,027,672)**	(1,993,519)

The accompanying notes are an integral part of these financial statements

Xemoto Media Ltd.
Statements of Cash Flows
For the Years Ended March 31, 2024 and 2023
(Expressed in Canadian Dollars)

	2024	2023
	$	$
Operating Activities		
Net loss for the year	**(2,027,672)**	(1,993,519)
Share-based compensation (Note 10, 11 and 12)	**114,551**	73,794
Amortization on computer equipment and software (Note 5)	**25,334**	24,908
Finance costs (Note 7)	**18,077**	9,351
Shares issued for services	**63,204**	-
(Gain) loss on debt settlement	**136,764**	(3,116)
	(1,669,743)	(1,888,582)
Net change in non-cash working capital items:		
Accounts receivables	**(42,984)**	23,750
Deferred revenue	**(32,915)**	127,489
Accounts payable and accrued liabilities	**545,099**	450,230
Cash Flows used in Operating Activities	**(1,200,542)**	(1,287,113)
Financing Activities		
Proceeds from private placement financings (Note 10)	**323,809**	530,000
Share issue costs	**-**	(45,291)
BDC Loan proceeds (Note 8)	**125,000**	125,000
Repayment of loans	**(7,100)**	-
Notes payable from related parties (Note 7)	**330,000**	217,500
Notes payable from non-related parties (Note 7)	**-**	63,000
Proceeds from issuance of convertible debentures (Note 9)	**265,820**	-
Proceeds from loans (Note 7)	**250,000**	-
Shares issue costs – convertible debentures (Note 9)	**(36,000)**	-
Cash Flows provided by Financing Activities	**1,251,529**	890,209
Investing Activities		
Computer equipment and software (Note 5)	**-**	(4,459)
Cash Flows (used in) Investing Activities	**-**	(4,459)
Increase (decrease) in cash	**50,987**	(401,363)
Cash, beginning of year / period	**42,874**	444,237
Cash, end of year	**93,861**	42,874
Additional cashflow information:		
Debt conversions included in private placements	373,241	-
Shares issued for services or other such settlement arrangements	582,550	47,942

Xemoto Media Ltd.

Statements of Changes in Shareholders' Equity
For the Years Ended March 31, 2024 and 2023
(Expressed in Canadian Dollars)

	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)	10,600,000	389,403	-	-	-	140,597	-	530,000
Issuance of finders' warrants from private placement	-	-	-	-	-	24,867	-	24,867
Issue costs	-	(51,475)	-	-	-	(18,683)	-	(70,158)
Stock-based compensation (Note 11)	-	-	-	-	88,763	-	-	88,763
Cancellation of options (Note 11)	-	-	-	-	- 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)**
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
Issuance to directors for services	4,000,000	40,000	-	-	-	-	-	40,000
Equity component of convertible debentures (Note 9)	-	-	7,704	-	-	**4,748**	-	12,452
Stock-based compensation (Note 11,12)	-	-	-	-	114,551	-	-	114,551
Net loss for the year	-	-	-	-	-	-	(2,027,672)	(2,027,672)
Balance, March 31, 2024	**155,201,409**	**2,987,385**	**7,704**	**-**	**233,750**	**1,330,995**	**(6,513,702)**	**(1,953,868)**

1. Nature of Operations and Going Concern

Xemoto Media Ltd. 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 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, 2024 and subsequently, it also incurred a net and comprehensive loss of $2,027,672 (March 31, 2023 – $1,993,519), and, as of that date, the Company's accumulated deficit was $6,513,702 (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 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 approved and authorized for issuance by the Board of Directors (the "Board") of the Company on July 29, 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 and subsequent events (note 18).

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. 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 Material 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 an influencer 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, 2024 and 2023, 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).

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
Loan Payable	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, 2023. These changes were made in accordance with the applicable transitional provisions:

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.

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. Earlier application is permitted.

The adoption of these standards did not have a material impact on the financial statements.

(Expressed in Canadian Dollars)

3. Summary of Significant Accounting Policies (continued)

(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, 2024. 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- Classification of Liabilities as Current or Non-Current

Effective Date: Mandatory for annual reporting periods beginning on or after January 1, 2024
These amendments clarify the criteria for classifying liabilities as current or non-current, specifically focusing on the entity's right to defer settlement of the liability.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

Effective Date: Mandatory for annual reporting periods beginning on or after January 1, 2024
The amendments require entities to disclose their material accounting policies instead of their significant accounting policies. This aims to improve the relevance of the disclosed information.

Amendments to IAS 8: Definition of Accounting Estimates

Effective Date: Mandatory for annual reporting periods beginning on or after January 1, 2024
These amendments clarify how to distinguish changes in accounting policies from changes in accounting estimates.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective Date: Mandatory for annual reporting periods beginning on or after January 1, 2024)
These amendments narrow the scope of the initial recognition exemption, requiring recognition of deferred tax on transactions that give rise to equal amounts of taxable and deductible temporary differences.

IFRS 16: Lease Liability in a Sale and Leaseback

Effective Date: January 1, 2024
The amendments to IFRS 16 specify how a seller-lessee subsequently measures the lease liability arising in a sale and leaseback transaction.

4. Accounts Receivable

	March 31, 2024	March 31, 2023
	$	$
Sales tax refund receivable (i)(ii)	**24,533**	**10,303**
Trade receivables (ii)	**28,754**	**-**
	53,287	**10,303**

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

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

(Expressed in Canadian Dollars)

5. Computer equipment and software

The Company's property and equipment are comprised of the following as at March 31, 2024 and 2023:

	Computer equipment	Software	Total
	$	$	$
Cost at:			
Balance, March 31, 2022	14,543	95,000	**109,543**
Addition for the year	4,458	-	**4,458**
Balance, March 31, 2023	**19,001**	**95,000**	**114,001**
Addition for the year	-	-	**-**
Balance, March 31, 2024	**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	6,334	19,000	**25,334**
Balance, March 31, 2024	**14,206**	**54,625**	**68,831**
Net book value:			
March 31, 2023	**11,128**	**59,375**	**70,504**
March 31, 2024	**4,795**	**40,375**	**45,170**

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, 2024 and 2023:

	March 31, 2024	March 31, 2023
	$	$
Trade payables	**767,720**	395,103
Accrued liabilities	**325,408**	528,388
	1,093,128	923,491

(Expressed in Canadian Dollars)

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%-12% per year compounded annually and payable on demand. During the year ended March 31, 2024, an additional $330,000 Notes were issued under the same terms.

(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 March 31, 2024, the notes payable balance was $242,000 (March 31, 2023 – $280,500). Accrued interest on the Notes of $16,156 (March 31, 2023 – $9,351) was included in accounts payable and accrued liabilities.

As at March 31, 2024, 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
February 8, 2024	Various Directors	110,000
February 26, 2024	Director	10,000
February 27, 2024	Company owned by director	10,000
March 31, 2024	Director	10,000
March 8, 2024	Company owned by a director	10,000
March 12, 2024	Directors	25,000
Total Notes Payable Balance		**242,000**

Loan Payable

(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 (see subsequent events), (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.

(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 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.

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 year ended March 31, 2024, interest charged on the BDC Loan in the amount of $26,525 (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 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 year ended March 31, 2024, the Company had recorded an interest and accretion expense of $6,215 on the Debentures, which are included in interest and accretion on the statements of loss and comprehensive loss.

(Expressed in Canadian Dollars)

9. Convertible Debenture (continued)

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. As at March 31, 2024, $134,180 of the proceeds are held in escrow and not recognized as proceeds until they are received.

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.

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

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 March 31, 2024 and 2023 are as follows:

	Number of common shares	**Amount**
	#	**$**
Balance, March 31, 2022	42,343,763	1,294,402
Share issued for service (t)	190,000	6,384
Share issued for debt (u)	1,138,656	41,558
Shares issued for private placement (v)(w)	10,600,000	389,403
Share issuance costs (v)(w)	-	(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)(s)	24,155,385	422,175
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, March 31, 2024	**155,201,409**	**2,987,385**

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

(a) On June 8, 2023, the Company closed a non-brokered private placement (the "Tranche 1, 2023") through the issuance of 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.

10. Share Capital (continued)

(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.

(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.

10. Share Capital (continued)

(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.

(n) On June 9, 2023, the Company settled an amount of $10,000 comprised of certain outstanding fees for services provided by the former CFO through the issuance of 1,000,000 Common Share at a deemed issue price of $0.01 per Common Share.

Other Issuances of Common Shares

(o) 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.

(p) On October 23, 2023, the Company settled an amount of $4,000 comprised of certain outstanding fees for services provided by a vendor through the issuance of 400,000 Common Shares at a deemed issue price of $0.01 per Common Share.

(q) On November 29, 2023, the Company settled an amount of $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.

(r) On November 29, 2023, the Company settled an amount of $7,000 comprised of certain outstanding fees for services provided by a vendor through the issuance of 700,000 Common Shares at a deemed issue price of $0.01 per Common Share.

(s) On January 12, 2024, the Company issued 4,000,000 common shares to settle an amount of $40,000 of fees for services provided by four directors for services provided outside their normal scope of compensation during the period of transition to new management.

Share capital transactions for the year ended March 31, 2023

(t) 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.

(Expressed in Canadian Dollars)

10. Share Capital (continued)

(u) 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.

(v) 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.

(w) 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

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 March 31, 2024, the Company had 31,040,281 Common Shares available for issuance under the Option Plan.

The following summarizes the stock option activity for the years ended March 31, 2024 and March 31, 2023:

	March 31, 2024		March 31, 2023	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**4,500,000**	**0.05**	4,500,000	0.05
Granted	**14,990,000**	**0.03**	800,000	0.05
Cancelled/expired	**(1,900,000)**	**0.05**	(800,000)	0.05
Outstanding, end of year	**17,590,000**	**0.02**	4,500,000	0.05
Exercisable, end of year	**7,266,667**	**0.03**	2,358,333	0.05

11. Reserve for Share-Based Payments

Options transactions for the year ended March 31, 2024

(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 1/4 vest on October 13, 2025 until all options are fully vested. The options were valued using Black-Scholes with the following assumptions: expected volatility of 98% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 4.21% and an expected life of five years. The grant date fair value attributable to these options was $29,575, of which $17,440 was recorded as share-based compensation in connection with the vesting of these options during the year ended March 31, 2024

(b) On January 14, 2024, the Company granted 9,990,000 stock options to directors (7,420,000), officers (570,000) and employees (2,000,000). The options have an exercise price of $0.01125 and expire 5 years from the date of grant. 4,000,000 of the options vested on the date of grant, 3,990,000 of the options vest one year from the date of grant, and 2,000,000 of the options, vest 1/3 on grant, 1/3 January 14, 2025, and 1/3 January 14, 2026. The options were valued using Black-Scholes with the following assumptions: expected volatility of 98% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.28% and an expected life of five years. The grant date fair value attributable to these options was $73,371, of which $40,382 was recorded as share-based compensation in connection with the vesting of these options during the year ended March 31, 2024.

Options transactions for the year ended March 31, 2023

(c) 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.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(Expressed in Canadian Dollars)

11. Reserve for Share-Based Payments

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

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining contractual life
	#	#	$	Years
November 30, 2026	2,400,000	2,400,000	0.05	2.67
May 30, 2027	200,000	200,000	0.05	3.16
October 13, 2028	1,666,666	-	0.02	4.54
October 13, 2028	1,666,667	-	0.035	4.54
October 13, 2028	1,666,667	-	0.04	4.54
January 14, 2029	9,990,000	4,666,667	0.01	4.79
	17,590,000	**7,266,667**	**0.02**	**4.41**

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 $28,802 (March 31, 2023 - $nil) in connection with the vesting of RSUs was recorded during the year ended March 31, 2024.

The following summarizes the RSU activities for the years ended March 31, 2024 and March 31, 2023

	March 31, 2024		March 31, 2023	
	Number of warrants	**Weighted average exercise price (1)**	Number of warrants	Weighted average exercise price (1)
	#	$	#	$
Outstanding, beginning of year	**900,000**	**0.05**	900,000	0.05
Granted	**1,400,000**	**0.01**	-	-
Exercised	**(900,000)**	**0.05**	-	-
Outstanding, end of year	**1,400,000**	**0.03**	900,000	0.05

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

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	2.24

(Expressed in Canadian Dollars)

12. Reserve for Warrants

The following summarizes the Warrant activity for the years ended March 31, 2024 and March 31, 2023:

	March 31, 2024		March 31, 2023	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**28,097,323**	**0.11**	21,395,995	0.12
Issued from debt settlement	-	-	569,328	0.12
Issued with convertible debenture (note 9)	30,000,000	0.02	-	-
Issued from private placement offerings	-	-	5,300,000	0.12
Issued from private placement offerings	-	-	832,000	0.05
Outstanding, end of year	**58,097,323**	**0.06**	28,097,323	0.11

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

Date of expiry	**Number of warrants outstanding**	**Exercise price**	**Weighted average remaining contractual life**
	#	**$**	**Years**
February 17, 2027	12,063,795	0.12	2.88
February 18, 2027	7,120,000	0.12	2.89
February 18, 2027	1,139,200	0.05	2.89
March 18, 2027	925,000	0.12	2.96
March 18, 2027	148,000	0.05	2.96
June 8, 2027	568,328	0.12	3.19
July 11, 2027	4,700,000	0.12	3.28
July 11, 2027	752,000	0.05	3.28
January 12, 2028	600,000	0.12	3.79
January 12, 2028	80,000	0.05	3.79
March 15, 2027	30,000,000	0.02	2.96
	58,097,323	**0.06**	**2.97**

Warrants transactions for the year ended March 31, 2024

See note 9 convertible debenture.

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)

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 year ended March 31, 2024 and 2023 is as follows:

	March 31, 2024	March 31, 2023
	$	$
Salaries and consulting fees	**367,125**	323,000
Professional fees	**613,055**	437,440
Share-based compensation	**106,107**	61,754
	1,086,287	822,194

Salaries and consulting fees

(a) Remuneration of key management personnel of the Company for the year ended March 31, 2024 included $272,962 (March 31, 2023 – $323,000 for the former Chief Executive Officer ("CEO"). As of March 31, 2024, $31,667 (March 31, 2023 – $147,251) owing to the former CEO was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand. Its also included $55,416 (2023 – n/a) for the current CEO. As of March 31, 2024, $8,750 (March 31, 2023 – n/a) owing to current CEO was included in accounts payable and accrued liabilities.

On September 12, 2022, the former CEO of the Company advanced the Company $40,000 and the Company issued Notes bearing interest at 8% per year compounded annually and payable on demand (see Note 7).

13. Related Party Transactions (continued)

(b) For the year ended March 31, 2024, renumeration of $nil (March 31, 2023 – $26,631) had been recorded for the services by a former director who resigned on June 15, 2022. As at March 31, 2024 and March 31, 2023, no balance was outstanding.

(c) For the year ended March 31, 2024, Black Oak, an entity where a former 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 year ended March 31, 2024 was $38,747 (2023 - $135,227). As at March 31, 2024, $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 year ended March 31, 2024, FMI Capital Advisory Inc. ("FMICAI"), an entity where the Executive Chairman and a director of the Company is also the Chairman, charged fees of $90,000 (March 31, 2023 – $179,711), for financial advisory and other services provided to the Company. As at March 31, 2024, $249,729 (March 31, 2023 – $314,022) 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 year ended March 31, 2024, Fogler, Rubinoff LLP ("Fogler"), an entity where the same director is a partner, charged fees of $264,506 (March 31, 2023 – $56,978), for legal services provided to the Company. As at March 31, 2024, $249,782 (March 31, 2023 – $61,127) 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, 2024, 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 $116,675 (March 31, 2023 – $75,000), for providing CFO services to the Company, as well as other accounting and administrative services. As at March 31, 2024, $45 (March 31, 2023 – $17,374) 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 the former Chief Financial Officer of the Company is the principal, entered into a consulting agreement, for a monthly remuneration of $5,000 in consideration of the Executive Vice President of Finance services to be provided to the Company. During the year ended March 31, 2024, the Executive Vice President of Finance, charged fees of $74,375 (March 31, 2023 – $20,000). As at March 31, 2024, $4,125 (March 31, 2023 – $10,325) 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 year ended March 31, 2024, Right Path Advisory ("Right Path"), an entity where the former Senior Vice President of the Company was employed, charged fees of $nil (March 31, 2023 – $73,620). As at March 31, 2024, $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.

(i) On October 23, 2023, Xemoto and 2041423 Ontario Limited, 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. As at March 31, 2024, $16,950 was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Share based compensation

(j) For the year ended March 31, 2024, 5,000,000 options and 1,400,000 RSUs (March 31, 2023 – 4,300,000 options) respectively, were granted to directors, officers and consultants. Total fair value recorded (for related parties) for options and RSUs vested for the year ended March 31, 2024, were $106,107 (March 31, 2023 – $51,399).

(Expressed in Canadian Dollars)

13. Related Party Transactions (continued)

Other related party transactions

(k) For the year ended March 31, 2024, Unite Communications. ("Unite"), an entity where one of the directors of the Company is also a director, recorded sales revenue of $25,491 (March 31, 2023 – $4,600, for business operations related purchases for the Company. As at March 31, 2024, $26,460 (March 31, 2023 – $nil) due from Unite was included in accounts receivable.

(l) During the year ended March 31, 2024, the Company issued $330,000 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
February 8, 2024	Director	45,000
February 8, 2024	Corporation owned by a director	30,000
February 8, 2024	Corporation owned by a director	15,000
February 8, 2024	Director	20,000
February 26, 2024	Corporation owned by a director	10,000
February 27, 2024	Corporation owned by a director	10,000
March 7, 2024	Director	10,000
March 8, 2024	Corporation owned by a director	10,000
March 8, 2024	Corporation owned by a director	12,500
March 12, 2024	Director	12,500
TOTAL		**330,000**

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.

(m) For the year ended March 31, 2024, EXT Marketing Inc. ("EXT Marketing"), an entity where one of the directors of the Company is also a director, charged fees of $nil (March 31, 2023 – $5,500) for marketing services provided to the Company. As at March 31, 2024, $nil (March 31, 2023 – $nil) was owing to EXT Marketing.

(n) For the year ended March 31, 2024, FMI, an affiliated entity of FMICAI where the Executive Chairman and a director of the Company is also the Chairman, charged fees of $nil (March 31, 2023 - finders' fees of $37,600 and $4,000 in connection with the July 2022 Offering and January 2023 Offering respectively). As at March 31, 2024, $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.

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

(Expressed in Canadian Dollars)

14. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2023 – 26.5%) to the effective tax rate is as follows:

	March 31, 2024	March 31, 2023
	$	$
Reported loss before income taxes	**(2,027,672)**	**(1,993,519)**
Combined statutory income tax rate	**26.5%**	**26.5%**
Expected income tax recovery at current rate	**(537,333)**	**(528,283)**
Increase (decrease) to the income tax expense resulting from:		
Non-deductible stock-based compensation	**30,356**	**19,555**
Other permanent differences	**35,595**	**22,972**
Change in tax benefits not recognized	**471,383**	**485,756**
	-	-

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, 2024	March 31, 2023
	$	$
Non-capital losses carried forward	**5,132,395**	**3,352,190**
Less: Deferred tax assets not recognized		
Computer equipment, software and intangibles	**19,551**	**(30,691)**
Share issuance Cost	**(53,474)**	**(26,737)**
Net deferred tax assets not recognized	**5,107,633**	**3,319,670**

As at March 31, 2024 and 2023, 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.

Non-capital losses carried forward

The Company’s non-capital losses will expire as follows:

	$
2041	12,878
2042	1,402,486
2043	1,874,444
2044	1,842,591
	5,132,395

15. 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, 2024 and 2023.

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

16. 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)

16. Financial Risks (continued)

Liquidity risk (continued)

As at March 31, 2024, the Company had a cash balance of $93,861 (March 31, 2023 – $42,874) to settle liabilities of $2,2146,185 (March 31, 2023 – $1,456,480), and had the following contractual undiscounted obligations:

	Carrying amount	Year 1	Year 2 to 3	Over 4 years
	$	$	$	$
Accounts payable and accrued liabilities	1,093,128	1,093,128	-	-
Notes payable	242,000	242,000	-	-
Deferred revenue	94,574	94,574	-	-
Loan payable	250,000	250,000	-	-
BDC loan	242,900	41,640	83,280	117,980
Convertible debentures	223,583	-	223,583	-
Total	**2,146,185**	**1,721,342**	**306,863**	**117,980**

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, the Company's cash position as at March 31, 2024 and subsequent events. 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, 2024, the Company had no financial instruments which are variable interest-bearing, and had no hedging agreements in place with respect to floating interest rates. Management believes that the interest rate risk concentration with respect to financial instruments is minimal.

Foreign exchange risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company's operations are based in Canada, but 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)

16. 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, 2024, the Company did not have any financial instruments which were carried at fair value (March 31, 2023 – $nil).

17. Entity-wide disclosure

Revenues from one customer represent approximately $105,314 (March 31, 2023 - $87,432) of the Company's total revenues.

18. Subsequent Events

Going public transaction

June 28, 2024, BrandPilot AI Inc. ("BPAI" or, the "Company") closed its change of business transaction (the "COB Transaction") with Xemoto Media Ltd. ("Xemoto").

In connection with the completion of the COB Transaction, among other things, all of the issued and outstanding common shares of Xemoto were exchanged on the basis of 0.225 common shares in the capital of BrandPilot AI Inc. (the "Common Shares") for each common share in the capital of Xemoto held by shareholders immediately prior to the closing of the COB Transaction. Following the completion of the COB Transaction, BPAI has 91,193,005 Common Shares issued and outstanding. The former shareholders of Xemoto hold approximately 46.03% of the Common Shares; and the pre-COB Transaction shareholders of BPAI hold approximately 53.97% of the Common Shares, on an undiluted basis.

BPAI will continue the business of Xemoto by providing digital marketing, advertising and technology services that facilitate the connection between social-media influencers and customers seeking to disseminate messaging and engage with retail investors, consumers and business customers on a grass-roots basis.

In connection with the completion of the COB Transaction, the Common Shares of BPAI were delisted from the TSX Venture Exchange on June 13, 2024, and commenced trading on the Canadian Securities Exchange (the "CSE") July 8, 2024, under the symbol "BPAI".

Issuance of securities

Date	Security issued	#	Exercise price
April 4, 2024	Options	1,666,666	$0.02
	Options	1,666,666	$0.035
	Options	1,666,666	$0.04
April 26, 2024	Options	1,400,000	$0.01125
April 26, 2024	Options	4,444,444	$0.01125
June 2024	Commons Shares		$0.01

Conversion of debentures

5Subsequent to the year end, the Company received notice and converted $25,000 of the convertible debentures (note 9), through the issuance of 562,500 common shares, and $89,200 through the issuance of 1,984,500. The conversion price of $0.01 was adjusted for the exchange ratio of $0.225, as transacted in the COB.