ImagineAR Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 30, 2024

For the years ended August 31, 2024 and 2023

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1. INTRODUCTION

The Management's Discussion and Analysis ("MD&A") of operating results and financial position for years ended August 31, 2024 and 2023 is supplementary to and should be read in conjunction with the audited consolidated financial statements and related notes for the years ended August 31, 2024 and 2023. Copies of these documents can be found on the SEDAR+ website at www.sedarplus.ca. The MD&A is intended to help readers understand the dynamics of our business and the key factors underlying our financial results. The MD&A and the consolidated financial statements were approved by the Board of Directors on December 20, 2024.

2. FORWARD-LOOKING INFORMATION

This document contains forward-looking statements which reflect management's current expectations about future events and financial and operating performance of the Company. Words such as "may", "will", "should", "could", "anticipate", "believe," "expect, "intend", "plan", "potential", "continue" and similar expressions have been used to identify these forward-looking statements. Forward-looking statements contained in this document may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. These statements reflect management's current views with respect to future events or conditions, including prospective financial performance, financial position, and predictions of future actions, plans or strategies. Certain material factors and assumptions were applied in drawing our conclusions and making these forward-looking statements. These statements reflect management's current views, beliefs and assumptions and are subject to certain inherent risks and uncertainties. Factors that could cause actual performance to differ materially include, but are not limited to:

- *ability to develop or acquire new technology;*
- *competition in the market;*
- *development of new software products;*
- *economic growth and fluctuations;*
- *proper performance of our applications;*
- *the protection and privacy of personal information which we hold;*
- *the risks associated with credit extended;*
- *capital expenditures;*
- *changes in accounting policies and estimates;*
- *exchange rate fluctuation between the US and Canadian dollar;*
- *human resource matters, including recruitment and retention of competent personnel; and*
- *the ability to raise capital.*

The above (and other) factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by these forward-looking statements. See "Risks and Uncertainties" below and the section entitled "Risk Factors". Should one or more of these risks or uncertainties materialize, or should the assumptions underlying our projections or forward-looking statements prove incorrect, our actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. We do not intend and do not assume any obligation to update these forward-looking statements whether as a result of new information, plans, events or otherwise, unless required by law. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

3. <u>COMPANY OVERVIEW</u>

ImagineAR Inc. (“the Company”) is a public company domiciled in Canada incorporated in British Columbia under the laws of the Business Corporation Act (BC, Canada) on October 11, 2011. On April 17, 2019, the Company was continued under the Canadian Business Corporations Act. The Company's head office is located at #250 – 750 West Pender Street, Vancouver, BC, V6C 2T7.

The Company’s core business is to deliver engaging and interactive digital content to users through a cloud-based enterprise augmented reality (“AR”) platform with a brand name of ImagineAR™. The self-publishing AR cloud platform can integrate into both IOS & Android native mobile apps as a Software Development Kit (“SDK”) or provided as a white-label mobile app.

In calendar year 2023-2024, the Company transitioned to focusing on patent portfolio licensing and vigorous enforcement, delivering immersive AR experiences integrated with proprietary GenAI interactions, location-based entertainment immersive attractions and broadening its focus into new vertical markets that can increase mobile app ROI with the existing ImagineAR SDK platform as well as potential AI/AR Interactive experiences. New targeted markets include college, retail, entertainment, and casino gaming.

About ImagineAR™ Product Suite

<u>ImagineAR™</u> is the free generic consumer AR mobile app that allows the user to visualize the AR content once it is activated through the ImagineAR™ Client Web Dashboard. The activated content can be in the form of a 2D/3D image, text or video. ImagineAR**™** can also deliver AR rewards, sweepstakes and create AR scavenger hunts. The mobile app is available for free in both the IOS and Android mobile app stores and is used for proof of concept and demonstration purposes.

<u>ImagineAR™ Cloud</u> - Centralized content management system where the content is securely stored and managed. This past year, the Company made significant upgrades and enhancements to the Cloud to provide for true globalization of AR immersive activations.

The ImagineAR product suite bridges the gap between the digital world and real-world experiences. The SDK integrated into mobile apps allow the users to scan real-world objects, enjoy immersive holograms and unlock useful and entertaining content. The self-publishing platform allows users to generate their own AR content using existing content assets. The Company also provides professional content services that can take the form of gaming content (scavenger hunts, score boards, sweepstakes etc.) or custom content (3D modelling, video animation, brand logo imaging etc.) The Company plans to integrate Generative AI with the SDK.

The AR experiences could be self-published to the <u>ImagineAR™</u> SDK. The Company will charge users a Software as a Service (“SaaS”) recurring monthly licensing fee for the use of the ImagineAR™ mobile app or an annual recurring licensing fee for the SDK and white-label mobile app. Alternatively the Company will enter a revenue sharing agreement with clients depending upon specific agreed upon key performance indications.

The Company has been marketing the ImagineAR™ platform to the sports industry, music, brands live events, and the retail marketplace.

FameDays.com is an e-greeting card platform focusing on virtual celebrations with celebrities, sports stars, entertainers and influencers. Retail Prices range from $5USD - $20USD per each greeting message including Birthday, Anniversary, Thanksgiving, Christmas, Newborn Baby, New Year, SuperFan and many more. Additionally Famedays, will spearhead the Company’s focus in location-based entertainment immersive locations for North America.

Recent client agreements and news include:

On September 28, 2021, the Company was named as a respondent in a Notice of Hearing by the B.C. Securities Commission. The B.C. Securities Commission began administrative proceedings against investor relations company Stock Social Inc. and its principal, West Vancouver's Kyle Alexander Johnston, for multiple disclosure failures in its advertising. The BCSC claimed that Stock Social posted favourable material on-line for several companies, but did not clearly state that the postings were disseminated on behalf of the companies. Mr. Johnston also arranged for several social media "influencers" to promote the stocks, the BCSC claims.

The allegations are contained in a brief notice of hearing that the BCSC released on Tuesday, September 28, 2021. In addition to Mr. Johnston, the BCSC has named five public companies as respondents as well as representatives of those companies, including the Company.

The case centered around investor relations work that Stock Social did for the five companies between August 2016 to March 2018. It prepared advertising that went out through several websites, generally written in the style of a news article, the BCSC says. The material appeared on Stock Social's website and other sites affiliated with it, according to the hearing notice. The event occurred prior to the appointment of the current CEO and Board of Directors.

The problem, as set out by the BCSC, was that the material did not follow the rules for promotional publications. It did not "clearly and conspicuously" state that the companies themselves were behind the advertising (such disclosure is mandatory for stock market advertising in most jurisdictions). Some of the advertising did contain disclaimers, but the print of those disclaimers was in a small font, the BCSC contends.

On July 23, 2023, the BCSC ruled that the Company failed to ensure the information disseminated by Stock Social to meet promotional publication disclosure requirements, and as a result was fined an administrative penalty of $20,000 (paid).

On January 20, 2022, the Company entered into a two-year SDK licensing agreement with Jet Media Network Ltd. to provide its Augmented Reality SDK Platform for their new celebrity and sports legend mobile apps that will be available on the iOS and Android mobile app stores. In relation to this partnership, the Company launched the soccer legend Ronaldinho's new AR experience on August 3, 2022**,** R10 Lens, which was developed by Jet Media Network and powered by the technology of ImagineAR. The partnership ended after the expiry of the agreement.

On April 5, 2022, the Company announced a two-year SDK licensing agreement with Fanmaker to integrate SDK into the Professional Bull Riders' (“PBR”) mobile app, PBRewards. PBR would utilize the technology to engage with both fans and partners. Using the PBR Mobile app, fans would have the opportunity take pictures and videos with holograms of riders, appearing as if they are really standing next to these athletes, and instantly share the content in social media. Fanmaker integration did not meet the expectations of both PBR and ImagineAR, and therefore the agreement was terminated in March 2024.

On April 7, 2022, the Company announced SDK licensing agreement with ArcTouch to integrate the AR Platform into an immersive app experience for a Fortune 500 consumer products company – McCormick. The agreement expired in October 2022, and the agreement was not renewed.

On August 18, 2022, the Company signed a three-year partnership agreement with Hip Hop Hall of Fame Inc. to provide a Custom Mobile App delivering Immersive Metaverse Experiences. In consideration for the licensing agreement, the Company was to receive annual compensation of USD$95,000. Hip Hop Hall of Fame Inc. was raising funding for their new museum in Harlem, NY. ImagineAR was going to provide the official mobile app and the AR experiences. Unfortunately Hip Hop Hall of Fame Inc. was unable to raise funding and the Company terminated the agreement the same fiscal year. During the year ended August 31, 2023, the

Company recognized the revenue for the first year of USD$95,000 ($127,982), of which USD$87,582 ($117,989) was written off as bad debt due to uncertainty with collectability.

On November 14, 2022, the Company partnered with SIDEARM Sports, a digital fan engagement platform and a LEARFIELD company, to deliver immersive college football AR experiences starting in January 2023. The partnership was auto-renewed for a second year per the EVP of Learfield and expired after completion of the College Football Playoff championship in January 2024.

On February 13, 2023, the Company announced it was selected by SPORTFIVE Hungary kft to deliver immersive AR experiences fully integrated with the official team mobile app for Ferencvárosi Torna Club in Spring 2023. This opportunity was spearheaded by Hype Sports Innovation in their current GVA3 program. The partnership was abandoned in December 2023 due to incompatibility of the software applications.

On February 17, 2023, the Company signed an annual SDK platform license agreement with Canadian event production agency HUMANCONTACT Inc. to deliver AR experiences in their mobile app. After the initial contract expired on its anniversary date, HUMANCONTACT Inc. renewed their licensing agreement for another year with the same term.

On March 1, 2023, the Company executed a non-binding Memorandum of Understanding with a global digital publishing company to purchase a minimum of 10 and a maximum of 25 three-year SDK mobile app licenses in 2023 for top global icons in sport, music, entertainment and gaming. The Company decided not to move forward with the project as the publishing company was unable to raise sufficient funding by December 2023.

On May 29, 2023, the Company launched the "Drop-In" Native SDK (Software Development Kit) integration for IOS and Android mobile apps with the Baltimore Ravens NFL team in the summer of 2023. The initial Drop-in technology was already proven by successfully integrated with previous clients. There was no issue with the SDK integration with Baltimore Ravens NFL, and the integration was successful which added many new features/functions and an enhanced AR Scavenger Hunt.

On June 25, 2023, the Company's wholly-owned subsidiary, Fame Days, was selected by 4Front Development ("**4Front**") to be the Technology Project Lead for the newly planned Immersive Entertainment Center within a Tourist and Residential Complex in a southern state of the United States (the "Project"). Additionally, the Company signed a binding Letter of Intent ("LOI") with 4Front pursuant to which 4Front will acquire a minority share interest in FameDays Inc.

Pursuant to the binding LOI, FameDays will be the exclusive Mixed Reality, Augmented Reality, Virtual Reality, and Immersive Experience vendor and provider for the Project.

Unfortunately, the partnership was terminated in December 2023 upon the receipt of notification that 4Front and the Company lost the property acquisition bid.

On August 23, 2023, the Company signed a media service agreement with Sully Entertainment Group LLC ("Sully"), to provide national/international communications services and broadcast services. In consideration for the services provided by Sully, the Company will make an initial cash payment of USD$20,000, and USD$6,000 monthly payments for a six-month period. The Company will also issue 1,400,000 restricted common shares of the Company at a deemed price of $0.05 in two allotments, one for 700,000 common shares (issued) at the end of the first three months on December 1, 2023, and the remaining 700,000 (issued) at the end date of the agreement term being March 1, 2024. The stock restriction period is four months hold upon issuance.

On November 13, 2023, the Company announced that its first UK Soccer Team client, the Queens Park Rangers of the EFL Championship League, will integrate AR Fan Engagement Campaigns this season focused in their Fan zone. This revenue-sharing agreement makes the Queens Park Rangers the first UK Professional Soccer team to integrate the ImagineAR Augmented Reality SDK Platform to deliver fan immersive experiences. The partnership ended at the one year anniversary date.

On September 22, 2023, the Company entered into an agreement with Gurdip Panaich, a director of the Company, and another individual to which the Company issued 10,000,000 common shares (fair valued at $400,000) in consideration for funding committed and services provided for the Company to meet competitive bidding requirements for the Project detailed on June 25, 2023, above. The Company unfortunately lost the bid to a higher bidder and the Project did not proceed.

On March 3, 2024, the Company signed a three-year SDK platform license agreement with S3iai, an AI company with a binding LOI partnership with Star Navigation Systems Group, to deliver immersive AR experiences integrated with proprietary GenAI interactions for a client project. The agreement is on hold until S3iai receives funding to commence integration of their AI platform, which is expected to be by the first quarter of 2025. No revenue has been recognized to date.

4. NATURE OF CONTINUANCE OF OPERATIONS AND GOING CONCERN

The consolidated financial statements were prepared with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, complete additional debt or equity financing, or generate profitable operations in the future. The Company believes it will be able to raise the necessary funding to continue operations; however, there is no assurance that these funds will be available on terms acceptable to the Company or at all.

The Company's cash position was $101,902 at August 31, 2024 (2023 - $110,750) and had a working capital deficit of $1,501,162 at August 31, 2024 (2023 - $861,795).

These conditions result in a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

5. OUTLOOK

The Company will continue to generate awareness for its platform by marketing its technology in various verticals including retail, sports and live entertainment, education, and fundraising. As announced, the Company has established a number of strategic partnerships and alliances and performed numerous demonstrations to chief marketing officers and chief decision makers.

As the Company cycles through the sales funnel, feedback has been encouraging and a robust pipeline of new prospective opportunities is emerging. Over the next twelve months, management expects to convert these potential opportunities into revenue growth and expects to realize revenue in the form of monthly recurring revenues from licensing fees and upfront professional services fees from gaming and custom content.

6. DISCUSSION OF OPERATIONS

The results of operations reflect the overhead costs incurred to provide an administrative infrastructure to manage the business and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in activity of Management and Directors.

Years ended August 31, 2024 and 2023

For the year ended August 31, 2024, the Company had a net comprehensive loss of $2,156,551 (with basic and diluted loss per share of $0.01) compared with a net comprehensive loss of $1,787,001 (with basic and diluted loss per share of $0.01) in the comparative year. During the year ended August 31, 2024, the Company had:

- revenue of $45,309 (2023 - $192,657). Revenue was primarily generated from AR SDK licensing fees, professional services fees and for custom content to provide client augmented reality experiences. The decrease in revenue was primarily due to unfavourable market condition which resulted in termination of some contracts.

- gross loss of $44,431 (2023 - profit of $90,269). The loss was primarily due to termination of a number of contracts while costs related to maintenance and development of licensing application remained constant.

- bad debt expenses of $Nil (2023 - $173,547). The decrease is mainly due to write-off of receivables due to uncertainty of collectability from the termination of contracts and during the comparative year.

- Consulting, director and management fees of $454,236 (2023 - $250,421). The increase is mainly due to a voluntary reduction in management fees by the CEO during the comparative year.

- foreign exchange of $5,666 (2023 - $11,078). The decrease is primarily due to USD exchange fluctuation during the current year.

- Professional fees of $344,378 (2023 - $259,267). The increase is due to additional legal services on corporate matters and patent maintenance during the current year.

- share-based compensation of $587,477 (2023 - $272,545). The decrease is due to fewer stock options granted and vested during the current year and as a result of an agreement with a director of the Company, and an arm's length individual to which the Company issued 10,000,000 common shares (fair valued at $400,000) in consideration funding committed and services provided for the Company to meet competitive bidding requirements for an opportunity to potentially acquire a development project (See June 25, 2023 and September 22, 2023 in the "Recent client agreements and news" section above).

- shareholder communication and promotion of $440,087 (2023 - $234,784). The increase is due to the Company's efforts to increase market awareness during the current year. Additional information on services providers that are incurred material expenses during the fiscal year:

Service provider	Nature of the Services	Amount
Sully Entertainment	Production services to create video content, media exposure through its cable and radio station partners and advertising consultation and implementation	$241,639
Independent Consultant	Sales and marketing services to promote the Company's products and services to potential clients.	$75,432
AGORA Internet Relations Corp.	Content creation that related to the company's press releases, updates, interviews and filings	$56,000

- software costs of $64,178 (2023 - $434,662). The Company's technology was at a more advanced stage as compared to the comparative year, therefore current year costs mainly relates to maintenance of the software compared to comparative year having incurred more development costs.

- other income of $10,000 (2023 - $Nil) due to forgivable portion of CEBA earned during the current year.

- write-off of deferred contract costs of $Nil (2023 - $81,501) as a result of termination of certain contracts due to unfavourable market conditions during the comparative year.

- write-off of accounts payable of $Nil (2023 - $126,785) as a result of certain outstanding amounts exceeding the statute of limitations during the comparative year.

Three months period ended August 31, 2024 and 2023

For the three months ended August 31, 2024, the Company had a net comprehensive loss of $428,057 (with basic and diluted loss per share of $0.00) compared with a net comprehensive loss of $901,928 (with basic and diluted loss per share of $0.00) in the comparative period. During the three months ended August 31, 2024, the Company had:

- revenue of $7,534 (2023 - $53,828). Revenue was primarily generated from AR SDK licensing fees, professional services fees and for custom content to provide client augmented reality experiences. The decrease in revenue was primarily due to unfavourable market condition which resulted in termination of a number of contracts.

- bad debt expense of $Nil (2022 - $173,547). The decrease is primarily due to write-off of uncollectible receivables during the comparative period.

- consulting, director and management fees of $157,743 (2023 - $78,420). The increase is mainly due to a voluntary reduction in management fees by the CEO during the comparative period.

- Professional fees of $238,497 (2023 - $144,797). The increase is due to additional legal services on corporate matters and patent maintenance during the current period.

- share-based compensation of $32,036 (2023 - $215,635). The decrease is due to fewer stock options vested during the current period.

- shareholder communication and promotion of $34,719 (2022 - $126,803). The decrease is due to the Company's cost-saving efforts during the current period. Additional information on services providers that are incurred material expenses during the period:

Service provider	Nature of the Services	Amount
AGORA Internet Relations Corp.	Content creation that related to the Company's press releases, updates, interviews and filings	$16,000

- software costs of $4,619 (2023 - $79,759). The Company's technology was at a more advanced stage as compared to the comparative period therefore current period costs relate mainly to maintenance of the software compared to comparative period having incurred more development costs.

7. SELECTED ANNUAL INFORMATION

The following summary of selected audited financial information is derived from, and should be read in conjunction with, the Company's audited consolidated financial statements, including the notes thereto, for the financial years ended August 31, 2024, 2023, and 2022:

	2024	2023	2022
	$	$	$
Revenue	45,309	192,657	61,346
Loss and comprehensive loss for the year	2,156,551	1,787,001	4,067,061
Basic and diluted net loss per common share	0.01	0.01	0.02
Working capital (deficit)	(1,501,162)	(861,795)	56,503
Total assets	153,460	209,425	643,130
Long-term debt	-	-	40,000

A discussion of significant changes in revenue and loss and comprehensive loss for the years ended August 31, 2024 and 2023 is disclosed in Section 9, below.

As at August 31, 2024, the Company had assets of $153,460 (2023 - $209,425) and liabilities of $1,654,622 (2023 - $1,068,317). The decrease in assets of $49,965 can be primarily attributed to changes in working capital items.

8. FOURTH QUARTER

There were no significant transactions during the quarter ended August 31, 2024.

9. SUMMARY OF QUARTERLY RESULTS

The following table contains selected consolidated financial information for the Company, prepared in accordance with IFRS, for the eight most recently completed quarters:

Three Months Ended	**Aug 31, 2024**	**May 31, 2024**	**Feb 29, 2024**	**Nov. 30, 2023**
	$	$	$	$
Revenue and other income	7,534	1,723	28,430	17,622
Loss and Comprehensive loss	(428,057)	(361,382)	(453,210)	(913,902)
Loss per Common Share	(0.00)	(0.00)	(0.00)	(0.00)

Three Months Ended	**Aug 31, 2023**	**May 31, 2023**	**Feb. 28, 2023**	**Nov. 30, 2022**
	$	$	$	$
Revenue and other income	53,828	56,973	49,289	32,567
Loss and Comprehensive loss	(901,928)	(201,744)	(111,494)	(571,835)
Loss per Common Share	(0.00)	(0.00)	(0.00)	(0.00)

Fiscal 2024

During the quarter ended August 31, 2024, the Company's loss of $428,057 decreased from a loss of $361,382 incurred during the three months ended May 31, 2024. The increase in loss is primarily due to an increase of consulting fees and professional fees during the three-month period ended August 31, 2024.

During the quarter ended May 31, 2024, the Company's loss of $361,382 decreased from a loss of $453,210 incurred during the three months ended February 29, 2024. The decrease in loss is primarily due to decrease of shareholder communications and fewer options vested during the three-month period ended May 31, 2024.

During the quarter ended February 29, 2024, the Company's loss of $453,210 decreased from a loss of $913,902 incurred during the three months ended November 30, 2023. The decrease in loss is primarily due to no transaction cost paid during the three-month period ended February 29, 2024.

During the quarter ended November 30, 2023, the Company's loss of $913,902 increased from a loss of $901,928 incurred during the three months ended August 31, 2023. The increase in loss is primarily due to share-based compensation granted during the three-month period ended November 30, 2023.

Fiscal 2023

During the quarter ended August 31, 2023, the Company's loss of $901,928 increased from a loss of $201,744 incurred during the three months ended May 31, 2023. The increase in loss is primarily due to share-based compensation, bad debt and deferred contract cost expense during the three-month period ended August 31, 2023.

During the quarter ended May 31, 2023, the Company's loss of $201,744 increased from a loss of $111,494 incurred during the three months ended February 28, 2023. The increase in loss is primarily due to higher cost of goods sold and shareholder communication during the three-month period ended May 31, 2023.

During the quarter ended February 28, 2023, the Company's loss of $111,494 decreased from a loss of $571,835 incurred during the three months ended November 30, 2022. The decrease in loss is primarily due to the decrease of consulting expense, professional, software, and share-based payments during the three-month period ended February 28, 2023.

During the quarter ended November 30, 2022, the Company's loss of $571,835 decreased from a loss of $971,201 incurred during the three months ended August 31, 2022. The decrease in loss is primarily due to the decrease of consulting expense, shareholder communication, software, and share-based payments during the three-month period ended November 30, 2022.

10. LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position was $101,902 at August 31, 2024 compared to $110,750 at August 31, 2023. The Company had a working capital deficit of $1,501,162 at August 31, 2024 (2023 – $861,795). During the year ended August 31, 2024, cash flow activities consisted of:

i) cash spent on operating activities of $868,332 (2023 - $791,482) consisting of operating expenses during the current period.

ii) cash received from financing activities of $859,484 (2023 - $425,875) primarily consists of cash received from private placements.

iii) cash spent on investing activities of $Nil (2023 - $4,885) primarily consists of cash used for lease obligations during the comparative year.

During the year ended August 31, 2024, the Company:

i) closed a non-brokered private placement and issued 36,700,000 units at a price of $0.021 per unit for gross proceeds of $770,700. Each unit is comprised of one common share and one non-transferable common share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of $0.05 for a period of thirty-six months from the closing of the offering. Warrants were valued at $Nil using the residual value method.

Intended Use of Proceeds of Offering		**Actual Use of Proceeds from Offering**		**(Over)/under expenditure**
Operations and sales marketing of products	$770,700	operations and sales marketing of products	$770,700	N/A
Total	$770,700	Total	$770,700	$ -
Explanation of variances and the impact of variances on the ability of the Company to achieve its business objectives and milestones		No significant variance and no impact to the Company's business objectives.		

ii) A total of $6,216 cash finder's fees were paid, and 296,000 broker's warrants (valued at $6,993) were issued in connection with the private placement.

iii) entered into an agreement with a director of the Company, and an arm's length individual to which the Company issued 10,000,000 common shares (valued at $400,000) in consideration funding committed and services provided for the Company to meet competitive bidding requirements for an opportunity to potentially acquire a development project (See June 25, 2023 and September 22, 2023 in the "Recent client agreements and news" section above).

iv) issued 1,400,000 common shares valued at fair market value of $98,000 for promotional services.

During the period from September 1, 2024 to the date of the report, the Company closed three tranches of a convertible note financing totaling $1,100,000 (detailed below) to support the Company's major initiatives: Location-Based Entertainment, AI integration with AR, and Patent Enforcement & Licensing. As of December 30, 2024, the Company has spent $275,500 of the funds, including approximately $119,720 towards direct costs for this initiative, and approximately $126,000 of indirect costs to enable the Company to continue to operate to support the initiative (including costs associated with accounting, auditor, legal, filing fees and other costs). The Company also used $30,000 of the funds for shareholder communications, which the Company believed was necessary to continue to achieve the Company's business objectives.

With the funds received from the debenture financing, the Company has prioritized the utilization of resources for patent enforcement and licensing efforts as intended. The Company remains focused on leveraging its AR platform and SDK technology to provide solutions for the Location-Based Entertainment across North America and is optimistic about growth prospects in 2025.

Use of Proceeds from $1,100,000 Offering To Date	
Operations	$156,000
Location-Based Entertainment, AI integration with AR	$12,500
Patent Enforcement & Licensing	$107,000
Total	$275,500

i) closed the first tranche of the convertible note financing on September 4, 2024 in the principal amount of $125,000, which was received during the year ended August 31, 2024. Each debenture bore interest at a rate of 12% per annum and matured two years from the date of issuance. The debenture notes are convertible into units at a price of $0.05 per unit and each unit consisted of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share the Company at a price of $0.07 per share expiring on September 7, 2027.

The Company issued 2,500,000 units pursuant to the conversion of the debentures in settlement of principal amount of $125,000. The Company also issued 74,301 common shares pursuant to the conversion of the accrued interest of $2,029.

ii) closed the second tranche of the convertible note financing on October 22, 2024 in the principal amount of $385,000. Each debenture bore simple interest at a rate of 12% per annum and matured two years from the date of issuance. The debenture notes are convertible into units at a price of $0.05 per unit and each unit consisted of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share the Company at a price of $0.07 per share expiring on October 22, 2027. Of the $385,000 principal amount, $105,000 was from a director of the Company and his son.

The Company issued 4,700,000 units pursuant to the conversion of the debentures in settlement of principal amount of $235,000. The Company also issued 16,154 common shares pursuant to the conversion of the accrued interest of $347. Of the 4,700,000 units and 16,154 common shares issued, a director of the Company and his son received 2,100,000 units and 1,090 common shares.

iii) closed the third and final tranche of the convertible note financing on October 31, 2024 in the principal amount of $590,000. Each debenture bore simple interest at a rate of 12% per annum and matured two years from the date of issuance. The debenture notes are convertible into units at a price of $0.05 per unit and each unit consisted of one common share of the Company and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share the Company at a price of $0.07 per share expiring on October 31, 2027. Of the $590,000 principal amount, $165,000 was from a director of the Company and his son.

The Company issued 1,800,000 units pursuant to the conversion of the debentures in settlement of principal amount of $90,000. The Company also issued 13,449 common shares pursuant to the conversion of the accrued interest of $148.

iv) issued 2,630,000 common shares pursuant to exercise of warrants for gross proceeds of $131,500.

11. SHARE CAPITAL

As at the date of this report, the Company had 276,969,937 common shares.

As at the date of this report, stock options were outstanding enabling holders to acquire shares as follows:

Expiry Date	Exercise price ($)	Number of Options Outstanding	Exercisable
January 13, 2025	0.10	200,000	200,000
January 23, 2025	0.035	250,000	250,000
February 22, 2025	0.05	500,000	500,000
April 25, 2025	0.050	250,000	250,000
June 5, 2025	0.05	200,000	200,000
June 9, 2025	0.065	200,000	200,000
January 17, 2026	0.05	3,000,000	2,000,000
June 5, 2026	0.05	900,000	900,000
June 27, 2026	0.05	5,750,000	5,500,000
February 25, 2027	0.075	500,000	500,000
August 20, 2027	0.050	750,000	750,000
		12,500,000	11,250,000

As at the date of this report, warrants were outstanding enabling holders to acquire shares as follows:

Expiry Date	Exercise price ($)	Number of Warrants Outstanding	Exercisable
May 29, 2026	0.05	12,905,315	12,905,315
October 31, 2026	0.05	34,350,000	34,350,000
October 31, 2026	0.05	16,000	16,000
September 9, 2027	0.07	2,500,000	2,500,000
October 22, 2027	0.07	4,700,000	4,700,000
October 31, 2027	0.07	1,800,000	1,800,000
		56,271,315	56,271,315

12. OFF-BALANCE SHEET ARRANGEMENTS

The Company did not have any off-balance sheet arrangements or transactions.

13. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them. During the year ended August 31, 2024, the Company:

i) accrued management and consulting fees of $276,289 (2023 - $148,703), to the CEO of the Company, namely Alen Paul Silverrstieen. During the year ended August 31, 2024, the Company paid the CEO of the Company $96,654 (2023 - $115,857) for outstanding payables on account.

ii) accrued consulting fees of $24,000 (2023 - $24,000) to the CFO of the Company, namely Leon Ho.

As of August 31, 2024, $189,779 (2023 - $16,800) remained outstanding to related parties and is included in accounts payable and accrued liabilities as follows:

	August 31, 2024	*August 31, 2023*
CEO and Director, Alen Paul Silverrstieen	$ 157,779	$ -
CFO, Leon Ho	$ 32,000	$ 16,800
Total	$ 189,779	$ 16,800

During the year ended August 31, 2024, a director of the Company, namely Gurdip Panaich, received 5,000,000 shares (fair valued at $200,000) in consideration for funding committed and services provided for the Company to meet competitive bidding requirements for an opportunity to potentially acquire a development project (See June 25, 2023 and September 22, 2023 in the “Recent client agreements and news” section above).

During the year ended August 31, 2023, accounts payable of $32,474, owed to the CEO, namely Alen Paul Silverrstieen, was written off.

During the year ended August 31, 2024, the Company issued 3,100,000 (2023 – 4,800,000) stock options to a director and the CFO of the Company, resulting in share-based compensation of $187,306 (2023 – $155,071), of which the vested portion of $163,834 was recorded in profit and loss. The details of the share-based payments are as follows:

For the year ended August 31, 2024	*Number of Stock Options*	*Fair Value of Stock Options*
Director, Gurdip Panaich	3,000,000	$ 185,408
CFO, Leon Ho	100,000	$ 1,898
Total	3,100,000	$ 187,306

For the year ended August 31, 2023	*Number of Stock Options*	*Fair Value of Stock Options*
CEO and Director, Alen Paul Silverrstieen	3,300,000	$ 106,404
CFO, Leon Ho	150,000	4,828
Director, Mike Tunnicliffe	1,050,000	33,989
Director, Gurdip Panaich	300,000	9,850
Total	4,800,000	$ 155,071

14. NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND FUTURE ACCOUNTING CHANGES

Please refer to the consolidated financial statements on www.sedarplus.ca.

15. FINANCIAL INSTRUMENTS

Please refer to the consolidated financial statements on www.sedarplus.ca.

16. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management considers the Company’s capital structure to consist of the components of shareholders’ equity.

The Company is dependent on external financing to fund its activities. In order to carry out future transactions and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess additions to its media business if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period presented. The Company and its subsidiaries are not subject to externally imposed capital requirements.

17. CONTINGENCIES

The Company is unaware of exposure to any contingent liabilities.

18. RISKS AND UNCERTAINTIES

The Company's financial condition, results of operations and business are subject to risks. The following are identified as the main risk factors:

Financing

The Company is reliant upon financing in order to continue its operations because it does not derive any income from its assets. There is no guarantee that future sources of funding will be available to the Company. If the Company is not able to raise additional funding in the future, it will be unable to carry out its operations.

Key Personnel

The future of the Company is dependent on the management of the Company. The departure of any of operations or management personnel or their inability to continue being functional could have an adverse impact on the Company's growth, business, financial position, and operating results.

Competition

The Company will compete with many larger companies and newcomers to the industry that will have greater financial and technical resources than the Company for the development of its applications as well as the recruitment and retention of qualified consultants and employees.

Volatility in the trading price of our publicly traded securities

The trading price of our common shares is subject to volatility due to market conditions and other factors and cannot be predicted. Investment in these securities is inherently risky and the holders of these securities may not be able to sell their securities at or above the price at which they purchased such securities due to trading price fluctuations in the capital markets. Trading price could fluctuate significantly in response to factors that are both related and unrelated to our operating performance and/or future prospects, and past performance is not indicative of future performance.

Industry Volatility

The Company operates in a volatile space given augmented reality is still very advanced and requires the Company to be flexible and aggressive in its agreement to build client references and revenue streams, which ultimately might not materialize due to unforeseeable factors.