SpotLite360 IOT Solutions, Inc.
(Formerly SpotLite360 Technologies, Inc., formerly 1014379 B.C. Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SPOTLITE360 IOT SOLUTIONS, INC.

Opinion

We have audited the consolidated financial statements of SpotLite360 IOT Solutions, Inc. and its subsidiary (the "Company"), which comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has an accumulated deficit of $5,182,675 and a working capital deficiency of $325,869 as at December 31, 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, and remain alert for indications that the other information appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Hervé Leong-Chung.

Smythe LLP

Chartered Professional Accountants
Vancouver, British Columbia
May 2, 2022

SpotLite360 IOT Solutions, Inc.
(Formerly SpotLite360 Technologies, Inc., formerly 1014379 B.C. Ltd.)

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at,	Notes		December 31, 2021		December 31, 2020
Assets					
Current Assets					
Cash		$	268,460	$	352,167
Accounts receivable			143,584		-
Prepaid expenses	4		234,934		-
Loan receivable	6		56,951		255,556
Total Current Assets			**703,929**		607,723
Non-Current Assets					
Intangible assets	8		5,592,272		-
Equipment	5		13,804		-
Goodwill	3		1,440,601		-
Total Assets		**$**	**7,750,606**	$	607,723
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	8,9,11	$	762,029	$	106,204
Loan payable	11		17,338		16,138
Software license liability	8,11		250,431		-
Total Current Liabilities			**1,029,798**		122,342
Deferred tax liability	3,15		891,000		-
Total Liabilities			**1,920,798**		122,342
Shareholders' Equity					
Share capital	10		9,191,463		1,102,889
Subscriptions received in advance			-		39,550
Reserves			1,840,985		515,940
Accumulated other comprehensive loss			(19,965)		-
Deficit			(5,182,675)		(1,172,998)
Total Shareholders' Equity			**5,829,808**		485,381
Total Liabilities and Shareholders' Equity		**$**	**7,750,606**	**$**	607,723

Approved and authorized by the Board on May 2, 2022.

"Alexander Somjen" (signed)
Alexander Somjen, Director

"Joel Dumaresq" (signed)
Joel Dumaresq, Director

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

SpotLite360 IOT Solutions, Inc.
(Formerly SpotLite360 Technologies, Inc., formerly 1014379 B.C. Ltd.)

Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2021 and 2020
(Expressed in Canadian dollars)

		Years Ended	
	Notes	**December 31, 2021**	**December 31, 2020**
Revenue		$ 204,630	$ -
Cost of sales		(149,154)	-
Gross Margin		55,476	-
Expenses			
Amortization	5,8	$ 521,711	$ -
Consulting and marketing fees	11	1,435,424	64,825
Filing fees		60,852	18,753
Foreign exchange		17,300	13,991
Interest expense	11	1,510	1,138
Office expenses		101,001	581
Professional fees	11	292,534	54,325
Rent	11	22,597	-
Salaries		216,698	-
Share-based compensation	10	1,444,769	515,940
Total expenses		**$ (4,114,396)**	$ (669,553)
Other income (expenses)			
Gain on settlement of debt	7	26,752	-
Gain on write-off of debt		8,292	-
Loss on investments	7	(92,801)	-
Total other income (expenses)		**(57,757)**	-
Loss before income tax		**(4,116,677)**	(669,553)
Deferred income tax recovery	3,15	107,000	-
Net loss for the year		**(4,009,677)**	(669,553)
Foreign currency translation adjustment		(19,965)	-
Net loss and comprehensive loss for the year		**$ (4,029,642)**	$ (669,553)
Net loss per share – basic and diluted		**$ (0.10)**	$ (0.04)
Weighted average number of common shares outstanding		**42,001,204**	16,690,078

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

SpotLite360 IOT Solutions, Inc.
(Formerly SpotLite360 Technologies, Inc., formerly 1014379 B.C. Ltd.)
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2021 and 2020
(Expressed in Canadian dollars)

	Share Capital						
	Number of Common Shares	Amount	Subscriptions Received	Reserves	Accumulated Other Comprehensive Loss	Deficit	Total
Balance at December 31, 2019	**13,946,023**	**$ 439,768**	**$ -**	**$ -**	**$ -**	**$ (503,445)**	**$ (63,677)**
Shares issued – Private placement	6,416,841	664,576	-	-	-	-	664,576
Share issue costs	-	(1,455)	-	-	-	-	(1,455)
Subscriptions received in advance	-	-	39,550	-	-	-	39,550
Stock-based compensation	-	-	-	515,940	-	-	515,940
Net loss for the year	-	-	-	-	-	(669,553)	(669,553)
Balance at December 31, 2020	**20,362,864**	**$ 1,102,889**	**$ 39,550**	**$ 515,940**	**$ -**	**$ (1,172,998)**	**$ 485,381**
Shares issued – Private placement	13,060,337	3,005,050	(39,550)	-	-	-	2,965,500
Cash share issuance costs	-	(116,200)	-	-	-	-	(116,200)
Non-cash share issuance cost	190,400	(22,160)	-	22,160	-	-	-
Shares issued for Captios, LLC	20,100,000	5,025,000	-	-	-	-	5,025,000
Shares issued upon the exercise of options	1,100,000	196,884	-	(141,884)	-	-	55,000
Share-based compensation	-	-	-	1,444,769	-	-	1,444,769
Foreign currency translation adjustment	-	-	-	-	(19,965)	-	(19,965)
Net loss for the year	-	-	-	-	-	(4,009,677)	(4,009,677)
Balance at December 31, 2021	**54,813,601**	**$ 9,191,463**	**$ -**	**$ 1,840,985**	**$ (19,965)**	**$ (5,182,675)**	**$ 5,829,808**

SpotLite360 IOT Solutions, Inc.
(Formerly SpotLite360 Technologies, Inc., formerly 1014379 B.C. Ltd.)
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Canadian dollars)

		Years ended December 31, 2021		December 31, 2020
Operating activities				
Net loss for the year	$	(4,009,677)	$	(669,553)
Accrued interest		1,200		1,138
Accretion		25,674		-
Amortization		521,711		-
Deferred tax recovery		(107,000)		-
Loss on investment securities		92,800		-
Share-based compensation		1,444,769		515,940
Unrealized foreign exchange		-		12,000
Gain on settlement of debt		(26,752)		-
Write-off of accounts payable		(8,292)		-
Changes in non-cash working capital item:				
Accounts receivable		(143,584)		-
Prepaid expenses		(234,934)		-
Accounts payable and accrued liabilities		1,317		42,229
Net cash used in operating activities	**$**	(2,442,768)	$	(98,246)
Investing activities				
Purchase of equipment	$	(15,588)	$	-
Purchase of intangible asset		(458,748)		-
Cash acquired from acquisition of Captios, LLC		111,202		-
Net cash used in investing activities	**$**	(363,134)	$	-
Financing activities				
Subscriptions received in advance	$	-	$	39,550
Proceeds from exercise of stock options		55,000		-
Net proceeds from issuance of shares – private placement		2,849,300		663,121
Short-term loan advanced		(138,256)		(267,556)
Repayment of loans		(38,741)		-
Proceeds from loans		-		15,000
Net cash received from financing activities	**$**	2,727,303	$	450,115
Foreign exchange on cash		(5,108)		-
Change in cash		(83,707)		351,869
Cash, beginning of the year		352,167		298
Cash, end of the year	**$**	**268,460**	**$**	**352,167**
Other supplementary information:				
Fair value of finder's fee shares issued	$	47,600	$	42,950
Investments transferred to settle accounts payable		92,946		-
Intangible assets included in accounts payable and accrued liabilities		443,730		-
Fair value of shares issued to acquire Captios, LLC		5,025,000		-

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

1. Nature and going concern

SpotLite360 IOT Solutions, Inc. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on September 23, 2014. The Company is focused on providing a software-as-a-service based asset management and a supply chain execution platform which leverages blockchain and a broad array of Internet of Things technologies.

Effective June 4, 2021, the Company changed its name from 1014379 B.C. Ltd. to Spotlite360 Technologies, Inc. Effective August 24, 2021, the Company changed its name from Spotlite360 Technologies Inc. to SpotLite360 IOT Solutions, Inc. The Company's principal address, records office and registered address are located at Suite 810 – 789 West Pender Street, Vancouver, BC, V6C 1H2.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company is in the development stage and currently does not have significant cash from operations. Further funds will be required to successfully develop the Company's business and there is no certainty that these funds will be available. As at December 31, 2021, the Company has a working capital deficit of $325,869 (2020 - working capital of $485,381) and for the year ended December 31, 2021, the Company incurred a net loss of $4,009,677 (2020 - $669,553). A different basis of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations and ultimately achieve profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus ("COVID-19"). The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in 2022.

2. Statement of compliance and significant accounting policies

These consolidated financial statements were authorized for issue on May 2, 2022 by the directors of the Company.

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The significant accounting policies set out in Note 2 have been applied consistently to all periods presented.

2. Statement of compliance and significant accounting policies (cont'd)

Basis of presentation

The consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is the Company's functional currency; the functional currency of the Company's subsidiaries is the US Dollar.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Control occurs when the Company is exposed to, or has the right to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. All inter-company transactions and balances have been eliminated in the consolidated financial statement presentation. During the year ended December 31, 2021, the Company acquired Captios, LLC and Spotlite360, Inc. as described in Note 3. Details of controlled entities are as follows:

Name	Jurisdiction of incorporation	Interest at December 31, 2021	2020
Captios, LLC	US	100%	0%
Spotlite360, Inc.	US	100%	0%

The functional currency of Captios, LLC and Spotlite360, Inc. is the US Dollar. The assets and liabilities of these entities are translated into Canadian dollars using the period-end exchange rate and the operations and cash flows are translated using the average rates of exchange over the period. Exchange differences arising when net assets and profit or loss are translated into Canadian dollars are recognized in other comprehensive loss and as a component of shareholder's equity.

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments and estimates in applying the Company's consolidated financial statements include:

Going concern
The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty involves significant judgment based on historical experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances.

Deferred tax assets
The ability of the Company to recognize deferred tax assets involves judgment of the probability that the Company will be able to generate taxable income in the future.

Stock-based compensation
The fair value of stock-based compensation requires estimates of assumptions that are used in the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, actual and expected life of the option, expected dividends based on the dividend yield at the date of the grant, anticipated forfeiture rate, and the risk-free interest rate. The expected volatility is based on comparable companies historical data. The expected life of the options is based on historical experience and general option holder behavior. The Company also makes an estimate of the number of options that will be forfeited and the rate is adjusted to reflect the actual number of options that vest. Consequently, the actual stock-based compensation expense may vary from the amount estimated.

2. Statement of compliance and significant accounting policies (cont'd)

Significant accounting judgments, estimates and assumptions (cont'd)

Business combinations
Judgment is required to determine if the Company's acquisition represented a business combination or an asset purchase. If estimates or judgments differed, this could result in a materially different allocation of net assets on the consolidated statement of financial position. In a business combination, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. One of the most significant areas of judgment and estimation relates to the determination of the fair value of these assets and liabilities, including the fair value of consideration and contingent consideration paid, if applicable. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

Functional currency
The functional currency of the Company and each of the Company's subsidiaries is the currency of the primary economic environment in which the respective entity operates. Such determination involves certain judgments to identify the primary economic environment. The Company reconsiders the functional currency of an entity if there is a significant change in the events and/or conditions which determine the primary economic environment.

Recoverability of long-lived assets
The Company assesses at each reporting date, or more frequently if exists events or conditions exist, whether equipment, intangible assets or goodwill have indicators of impairment. In determining whether long-lived assets are impaired, the Company assesses certain criteria including observable decreases in value, significant changes with adverse effect on the entity, a change in market interest rates, and evidence of technological obsolescence. The application of the Company's accounting policy for intangible asset expenditures requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which are based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized in excess over the recoverable value is written off to profit or loss in the period the new information becomes available. Goodwill and intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level.

Estimated useful life of long-lived assets
Judgment is used to estimate each component of a long-lived asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

2. Statement of compliance and significant accounting policies (cont'd)

Financial Instruments

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost.

The Company determines the classification of financial assets at initial recognition. The classification of a debt instrument is driven by the Company's business model for managing its financial assets and their contractual cash flow characteristics. Equity instruments that are held-for trading are classified as at FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost – Financial assets and liabilities classified as amortized cost include cash, accounts receivable, loan receivable, accounts payable and accrued liabilities and loan payable. Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL – Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

The Company's investments are classified as FVTPL.

Financial assets through other comprehensive income ("FVTOCI") – Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not currently hold any financial instruments designated as FVTOCI.

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

2. Statement of compliance and significant accounting policies (cont'd)

Financial Instruments (cont'd)

Derecognition

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

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

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

Intangible Assets

The Company owns intangible assets consisting of licensed intellectual property. Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in connection with a business combination are initially recorded at fair value. Following initial recognition, intangible assets are carried at initial carrying value less any accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in operations as incurred. The Company does not hold any intangible assets with indefinite lives. Intangible assets with finite lives are amortized over the lower of contractual period or useful economic life and assessed for impairment at each reporting date or whenever there is an indication that the intangible asset may be impaired.

The amortization method and amortization period of an intangible asset with a finite life is reviewed at least quarterly. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

Intangible assets with finite useful lives are amortized over their estimated useful lives of seven years.

2. Statement of compliance and significant accounting policies (cont'd)

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash-generating unit ("CGU") or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

The goodwill balance is assessed for impairment annually or when facts and circumstances indicate that it is impaired. Goodwill is tested for impairment at a CGU level by comparing the carrying value to the recoverable amount as at December 31, which is determined as the greater of fair value less costs of disposal and value in use. Any excess of the carrying amount over the recoverable amount is the impaired amount. The recoverable amount estimates are categorized as Level 3 according to the fair value hierarchy. Impairment charges are recognized in the statement of comprehensive loss. Goodwill is reported at cost less any accumulated impairment. Goodwill impairments are not reversed.

Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators exist, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of testing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit, or "CGU"). An impairment loss is recognized for the amount, if any, by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and the value in use (being the present value of expected future cash flows of the asset or CGU). 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 previously recognized, with the exception of goodwill and indefinite lived intangible assets.

Equipment

Equipment consists of computer equipment and is recorded at cost and amortized annually at rates calculated to amortize the assets over their estimated useful lives. Computer equipment is amortized over its useful life of three years.

2. Statement of compliance and significant accounting policies (cont'd)

Revenue

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer
2. Identifying the performance obligations within the contract
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied

The Company expects to have cloud-based software-as-a-service revenues in the future; however, currently revenue is primarily earned from development work. Revenue from development work is recognized over time as the Company fulfills all performance obligations related to the services provided.

Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share. Under this method the dilutive effect on loss per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be antidilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Capital stock

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Unit Offerings

The Company records proceeds from unit offerings consisting of common shares and equity classified share purchase warrants as share capital. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to reserves in equity.

2. Statement of compliance and significant accounting policies (cont'd)

Income tax

(i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except to the extent the deferred tax arises from the initial recognition of goodwill or in a transaction which is not a business combination.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of stock options granted to employees is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees, including finders' warrants, share-based payments are measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued.

2. Statement of compliance and significant accounting policies (cont'd)

Functional Currency

All figures presented in the consolidated financial statements are reflected in Canadian dollars; however, the functional currency of the Company includes the Canadian dollar and the US dollar. The Company's functional currency is the Canadian dollar whereas the remainder of the Company's subsidiaries' functional currency is the US dollar.

Foreign currency transactions are translated to the respective functional currencies of the Company's entities at the exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rate applicable at the statement of financial position date. Non-monetary items carried at historical cost denominated in foreign currencies are translated to the functional currency at the date of the transactions. Non-monetary items carried at fair value denominated in foreign currencies are translated to the functional currency at the date when the fair value was determined. Realized and unrealized exchange gains and losses are recognized through profit and loss.

On consolidation, the assets and liabilities of foreign operations reported in their functional currencies are translated into Canadian dollars, the Company's presentation currency, at period-end exchange rates. Income and expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in accumulated other comprehensive loss.

Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the fair value equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Goodwill represents the difference between total consideration paid and the fair value of the net-identifiable assets acquired. Acquisition costs incurred are expensed in the statement of comprehensive loss.

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

New standards adopted

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

(Expressed in Canadian dollars)

3. Business Combination

On June 21, 2020, the Company entered into a share exchange agreement (the "Share Exchange Agreement") with Captios, LLC. ("Captios"). Captios is a United States based technology company that provides logistics technologies solutions for all participants in a supply chain. On June 4, 2021, the Company completed the acquisition of all the issued and outstanding membership interests of Captios. As consideration, the Company issued 20,100,000 common shares of the Company.

Captios had inputs, mainly the software license acquired, as well as substantive processes in place to generate outputs. As a result, the acquisition of Captios constituted a business combination as Captios met the definition of a business under IFRS 3 – Business Combinations. The business of Captios is carried out by its wholly owned subsidiary, Spotlite 360, Inc.

Purchase price:	**$**
20,100,000 common shares	5,025,000
Total consideration paid	**5,025,000**
Cash	111,202
Investments	158,995
Loan receivable	18,031
Intangible asset – software license	5,000,000
Accounts payable and accrued liabilities	(312,016)
Loan liabilities	(393,813)
Deferred income tax liability	(998,000)
Net assets acquired	3,584,399
Goodwill	1,440,601
Total	**5,025,000**

The Company determined that Captios' technology and business objectives were synergistic with the Company's business plans and objectives. Goodwill consists of certain key individuals and the future economic potential of Captios.

Loan liabilities include $369,943 that relates to a working capital loan issued to Captios from the Company.

During the period ended from June 4, 2021 to December 31, 2021, the Company recorded a net loss of $1,227,363 in the Consolidated Statement of Loss and Comprehensive Loss in connection with the financial performance of Captios.

The fair value of the intangible asset was determined using the income approach. Key estimates used to determine the fair value of the acquired intangible asset include the amount and timing of projected future cash flows, and the discount rate used to determine the present value of these cash flows. The discount rate used to measure the intangible asset was 66%.

As at December 31, 2021, the Company completed its annual assessment of the recoverable value of goodwill and determined that based on cash flow projections of the business of Captios, the recoverable value of goodwill exceeded the carrying value of the operating unit. The recoverable amount of the operating unit was determined based on updated cash flow projections. The cash flows are management's best projections based on current and anticipated market conditions covering a five-year period. The Company did not record any impairment of goodwill.

(Expressed in Canadian dollars)

4. Prepaid Expenses

	December 31, 2021 $	**December 30, 2020 $**
Consulting fees	170,796	-
Insurance	16,277	-
Marketing	28,875	-
Other	18,986	-
Total	**234,934**	**-**

5. Equipment

	Computer Equipment $
Cost	
Balance, December 31, 2020 and 2019	-
Additions	15,588
Balance, December 31, 2021	**15,588**
Accumulated amortization	
Balance, December 31, 2020 and 2019	-
Amortization	(1,766)
Foreign exchange	(18)
Balance, December 31, 2021	**(1,784)**
Net book values	
December 31, 2020	**-**
December 31, 2021	**13,804**

6. Loans receivable

At December 31, 2021, the Company had advanced $56,951 to TrackX Holdings, Inc. ("TrackX") a related company through common management. The loan is non-interest-bearing and due on demand.

At December 31, 2020, the Company had provided a loan of $255,556 (USD$200,000) to Captios. The loan is unsecured, with no set terms of repayment and interest free. On June 4, 2021, the acquisition of Captios closed, and the loan has been eliminated on consolidation.

(Expressed in Canadian dollars)

7. Investments

As part of the business combination described in Note 3, the Company acquired 1,000,000 shares of Cyon Exploration Ltd ("Cyon") with a fair value of $104,995 and 1,000,000 share purchase warrants enabling the Company to purchase an additional Cyon common share at $0.15 per share for a period of three years with a fair value of $54,000 using the Black-Scholes pricing model.

		Shares	Warrants	Total
December 31, 2020	$	-	-	-
Additions		104,995	**54,000**	158,995
Transfer to settle accounts payable		(56,194)	**(10,000)**	(66,194)
Fair value adjustment		(48,801)	**(44,000)**	(92,801)
Balance at December 31, 2021	$	-	-	-

On July 12, 2021, the Company transferred the 1,000,000 shares of Cyon and 1,000,000 share purchase warrants in full settlement of $92,946 of accounts payable. The Company recorded the difference between the fair value of the investments and the amount of the accounts payable as a gain on settlement of debt of $26,752.

8. Intangible Asset

As part of the acquisition of Captios, the Company acquired a software license. On July 6, 2020, Captios entered into a Software License Agreement (the "Agreement" or "License") with TrackX. TrackX operates as an enterprise asset management company deploying SaaS-based solutions leveraging multiple auto-ID and sensor technologies for the comprehensive tracking and management of physical assets. TrackX's Global Asset Management for Enterprises ("GAME") Platform enables the Industrial Internet of Things ("IIoT") by providing unique item level tracking, workflow processing, event management, alerting and powerful analytics to deliver solutions across a growing number of industries.

Pursuant to the Agreement, the Company has acquired the License to the GAME Platform and the ancillary software products from TrackX on a non-exclusive basis to commercialize an entire supply chain solution in the pharmaceutical, healthcare and agriculture industries (the "Licensed Industries").

As a consideration for the License, the Company will pay TrackX USD$300,000 as follows:

- USD$200,000 paid on or before November 30, 2020 (paid).
- USD$10,000 per month paid at the end of each of the subsequent 10 months, through September 2021. (paid)

In addition, TrackX shall receive 10% of first year SaaS revenue derived from the licensing of GAME Platform for each location installed within the Licensed Industries. The Company will pay to TrackX development, integration, support and other service fees based upon the then current TrackX services pricing and as agreed by TrackX and the Company within an associated services agreement.

The Company will have a perpetual non-exclusive right to the targeted licensed industries from the execution date of the agreement. The Company retains the right to obtain exclusivity within the 12-month period following execution of the agreement for the licensed industries under terms which will be negotiated between the parties and for not less than USD$900,000.

(Expressed in Canadian dollars)

8. Intangible Asset (cont'd)

On July 27, 2021, the Company amended the terms of the Software License Agreement to extend the right of exclusivity. In exchange for extending the right of exclusivity the Company paid USD$200,000 in July 2021 and will pay USD$100,000 per month from August 2021 to February 2022, for a total of USD$900,000. At December 31, 2021, the Company had paid USD$150,000 of monthly fees and USD$350,000 was included in accrued liabilities.

		Software license
December 31, 2020		**-**
Acquired on acquisition	$	5,000,000
Additions		1,112,217
Amortization		(519,945)
Balance at December 31, 2021	**$**	**5,592,272**

Software License liability

A corresponding liability in relation to the acquired exclusivity right has been recorded representing the Company's obligations under the Software License Agreement is included in Software license liability and summarized as follows:

		Software license liability
December 31, 2020	**$**	**-**
Additions		224,757
Interest		25,674
Balance at December 31, 2021	**$**	**250,431**

9. Accounts payable and accrued liabilities

		December 31, 2021		December 31, 2020
Accounts payable	$	224,654	$	102,204
Accrued liabilities		537,375		4,000
	$	**762,029**	**$**	**106,204**

Included in accounts payable and accrued liabilities are amounts totaling $586,490 (2020 - $94,306) due to related parties including a previous director and companies controlled by a previous director of the Company. (Note 11).

10. Share Capital

Authorized share capital

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

Shares issued during the year ended December 31, 2021:

On February 26, 2021, the Company completed a non-brokered private placement of 2,600,337 common shares at a price of $0.15 per share, for gross proceeds of $390,050. No finder's fees were paid in connection with the private placement. The Company received subscriptions in advance of $39,550 prior to December 31, 2020.

10. Share Capital (cont'd)

On April 20, 2021, the Company completed a non-brokered private placement of 10,460,000 units at a price of $0.25 per share, for gross proceeds of $2,615,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.75 per share for a period of two years. In connection with the Private Placement, the Company paid finder's fees consisting of $116,100 cash commission, 332,400 warrants (the "Brokers Warrants") and 190,400 of the Company's common shares to arm's-length finders with a fair value of $47,600. Each Brokers Warrant is exercisable into one Share at a price of $0.75 per Share for a period of two years. The fair value of the shares was measured at $0.25. The Brokers Warrants had a fair value of $22,160 and were measured using the Black-Scholes pricing model with the following assumptions: stock price – $0.25; exercise price – $0.75; expected life – 2 years; volatility – 100%; dividend yield – Nil; and risk-free rate – 0.29%.

On June 4, 2021, the Company issued 20,100,000 shares of common stock as part of the business combination described in Note 3.

On August 27, 2021, the Company issued 1,100,000 common shares pursuant to option exercises for gross proceeds of $55,000. The Company transferred $141,884 from reserves to share capital.

Shares issued during the year ending December 31, 2020:

On September 3, 2020, the Company completed a non-brokered private placement consisting of 4,090,506 common shares at $0.15 per share, for gross proceeds of $613,576. In connection with the private placement, the Company issued 286,335 finder's fee common shares, to arm's-length finders, with a fair value of $42,950.

On May 8, 2020, the Company completed a non-brokered private placement consisting of 2,040,000 common shares at $0.025 per share, for gross proceeds of $51,000. In connection with the private placement, the Company paid a cash finder's fee of $1,455.

a) Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the requirements of the Exchange, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 20% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to ten years from the date of grant.

On December 1, 2020, the Company granted incentive stock options to consultants to purchase an aggregate of 4,000,000 common shares at an exercise price of $0.05 per common share for up to five years. The options vested upon grant. The grant date fair value of the options was measured at $515,940. The options were measured using the Black-Scholes option pricing model with the following assumptions: stock price - $0.15; exercise price – $0.05; expected life – 5 years; volatility – 100%; dividend yield – $0; and risk-free rate – 0.46%.

On June 14, 2021, the Company granted incentive stock options to consultants to purchase an aggregate of 6,000,000 common shares at an exercise price of $0.25 per common share for up to five years. The options vest over 2.5 years. The grant date fair value of the options was measured at $1,113,005 and the Company recognized $34,709 related to the vested portion of the options. The options were measured using the Black-Scholes option pricing model with the following assumptions: stock price – $0.25; exercise price – $0.25; expected life – 5 years; volatility – 100%; dividend yield – $0; and risk-free rate – 0.85%.

(Expressed in Canadian dollars)

10. Share Capital (cont'd)

a) Stock options (cont'd)

On September 30, 2021, the Company granted incentive stock options to the President and CEO to purchase an aggregate of 450,000 common shares at an exercise price of $0.24 per common share for up to ten years. The options vested upon grant. The grant date fair value of the options was measured at $96,604 . The options were measured using the Black-Scholes option pricing model with the following assumptions: Stock price – $0.24; exercise price – $0.24; expected life – 10 years; volatility – 100%; dividend yield – $0; and risk-free rate – 1.51%.

The following is a summary of the Company's option activity for the years ended December 31, 2021 and 2020:

	Number of Options
Outstanding, December 31, 2019	-
Issued	4,000,000
Outstanding, December 31, 2020	4,000,000
Issued	6,450,000
Exercised	(1,100,000)
Outstanding, December 31, 2021	9,350,000

During the year ended December 31, 2021, 1,100,000 stock options were exercised. The weighted average share price for options exercised during the year ended December 31, 2021 was $0.05. There were no stock options exercised during the year ended December 31, 2020.

The weighted average remaining contractual life of the options outstanding at December 31, 2021 is 4.98 years (December 31, 2020 - 4.92 years) and the details of options outstanding as at December 31, 2021 are as follows:

Exercise price	Options outstanding	Options exercisable	Expiry date
$0.25	6,000,000	6,000,000	June 14, 2026
$0.05	2,900,000	2,900,000	December 1, 2025
$0.05	450,000	16,101	September 30, 2031
Total	9,350,000	8,916,101	

b) Warrants

As at December 31, 2021, the Company had warrants outstanding and exercisable enabling holders to acquire the following:

Number of Warrants Issued	Number of Warrants exercisable	Exercise Price	Expiry Date
10,792,400	10,792,400	$0.75	April 20, 2023

(Expressed in Canadian dollars)

10. Share Capital (Cont'd)

b) Warrants (cont'd)

A summary of the status of the Company's warrants outstanding and exercisable as at December 31, 2021 and 2020, and changes during those years is presented below:

	Number of warrants Issued		Weighted Average Exercise Price
Balance, December 31, 2020 and 2019	-	$	-
Issued	10,792,400		0.75
Balance, December 31, 2021	10,792,400		0.75

c) Restricted Stock Units

The Company has adopted a Restricted Stock Unit ("RSU") plan ("RSU Plan"). The purpose of the RSU Plan is to secure for the Company and its shareholders the benefits of incentive inherent in share ownership by certain directors, officers, other key employees and consultants of the Company ("Participants") who, in the judgment of the Board, will be responsible for its future growth and success. RSUs granted pursuant to this RSU Plan will be used to compensate Eligible Persons who have forgone salary to assist the Company in cash management in exchange for the grant of RSUs and incentive stock options under the Company's stock option plan.

Under the terms of the plan, RSU's are granted to Participants and the RSUs expire the earlier of five years from the date of vesting of the RSU and ten years from the grant date. Each RSU gives the Participant the right to receive one common share of the Company. The aggregate number of common shares that may be reserved for issuance, at any time, under this Plan and under any other share compensation arrangement adopted by the Company, including the Company's incentive stock option plan, shall not exceed up to a maximum of 20% of the issued and outstanding Shares at the time of grant pursuant to awards granted under all share compensation plans. Any common shares subject to an RSU which has been granted under the RSU Plan and which is cancelled or terminated in accordance with the terms of the RSU Plan without being paid out in common shares as provided for in this RSU Plan shall again be available under the RSU Plan. As at December 31, 2021, the Company has 912,720 RSU's available to be issued under the RSU plan.

The Company uses the fair value method to recognize the obligation and compensation expense associated with the RSU's. The fair value of RSU's issued is determined on the grant date based on the market price of the common shares on the grant date multiplied by the number of RSU's granted and taking into account market conditions. The fair value is expensed over the vesting term. Upon conversion of the RSU, the carrying amount is recorded as an increase in common share capital and a reduction in the share-based payment reserve.

On July 5, 2021, the Company issued the President and CEO of the Company 700,000 restricted shares units of the Company ("RSUs") with a fair value of $630,000 under the Company's restricted share unit plan (the "RSU Plan"). An initial 70,000 RSUs will vest on the date of shareholder approval, and the remaining six tranches of 105,000 RSUs per tranche will vest every six months over a period of 36 months from June 15, 2021. Once vested, each RSU shall entitle the holder to acquire one common share of the Company underlying each such RSU by delivering a notice of acquisition to the Company in accordance with the RSU Plan for a period of five years. During the year ended December 31, 2021, the Company recognized $297,055 relating to the vested portion of the RSUs.

d) Reserve

The share-based payment reserves record items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

(Expressed in Canadian dollars)

11. Related party transactions

The Company considers its related parties to comprise directors, officers, companies controlled by directors and officers and companies with common directors. The key management compensation and fees consist of the following for the years ended December 31, 2021 and 2020:

		December 31, 2021		December 31, 2020
Professional, corporate and interest charged by a company controlled by a former director	$	135,770	$	63,400
Rent incurred to a company with common management		22,597		-
Management compensation		279,905		-
	$	**438,272**	**$**	**63,400**

Included in professional are $93,620 (2020 - $23,975) corporate services and $40,950 (2020 - $32,375) for accounting services by a company controlled by a former director of the Company.

During the year ended December 31, 2021, the Company owed a principal loan of $15,000 (2020 - $15,000) obtained from a company controlled by a director of the Company to cover ongoing operational expenses. The loan is unsecured, bearing interest at 8% per annum and is due on demand. During the year ended December 31, 2021, the Company accrued interest of $1,200 (2020 - $1,138).

As at December 31, 2021, there was $117,404 (2020 - $13,288) included in accounts payable and accrued liabilities owing to a former officer and director and companies controlled by the former director. The balances are unsecured, payable on demand and non-interest bearing.

At December 31, 2021, the Company had advanced $56,951 to TrackX, a related company through common management. The loan was non-interest-bearing and due on demand. The Company had also recorded a software license liability of $250,431 and recorded in accounts payables and accrued liabilities $469,086 of unpaid amounts owing pursuant to the license agreement described in Note 8. These amounts are non-interest bearing and due on demand.

On July 5, 2021, the Company issued to the President and CEO 700,000 restricted shares units of the Company.

On September 30, 2021, the Company granted incentive stock options to the President and CEO to purchase an aggregate of 450,000 common shares at an exercise price of $0.24 per common share for up to ten years.

12. Financial instruments and risk management

The Company's financial instruments consist of cash, accounts receivable, loan receivable, investments, accounts payable and accrued liabilities, software license liability, and loans payable. Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of hierarchy are:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

12. Financial instruments and risk management (cont'd)

Financial instruments classified as level 1 include cash and investments in common shares.

Financial instruments classified as level 2 include investments in warrants.

The estimated fair value of accounts receivable, loan receivable, accounts payable and accrued liabilities, software license liability, and loans payable approximate their carrying values due to the short-term nature of these instruments.

The Company's risk exposure and the impact on the Company's financial instruments is summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash. The Company limits exposure to credit risk through maintaining its cash with high-credit quality Canadian financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Amounts receivable consists of trade receivables. To reduce the credit risk of amounts receivable, the Company regularly reviews the collectability of the amounts receivable to ensure there is no indication that these amounts will not be fully recoverable. For the year ended December 31, 2021, one customer represented 92% of revenue and receivables. At December 31, 2021, 96% of the Company's receivables have been outstanding for less than 30 days.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company has funds of $268,460 (2020 - $352,167) to satisfy its current financial obligations of $1,064,298 (2020 - $122,342). All of the financial liabilities of the Company are due within 12 months of December 31, 2021. The Company will be required to raise additional financing to settle its financial obligations and to continue further execution of its business plan.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as it incurs expenditures that are denominated in United States dollar, while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The Company's cash is held in Canadian dollars and the US dollar. Some of the Company's operating expenses were denominated in the US dollar. The Company managed its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts to offset foreign currency payables where possible. Management relied on the natural hedge created by this matching process and thus has chosen not to otherwise hedge its foreign exchange risk. Foreign exchange risk is assessed as minimal as at December 31, 2021.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's sensitivity to interest rates is minimal.

12. Financial instruments and risk management (cont'd)

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of shareholders' equity.

The Company's primary source of funds comes from the issuance of capital stock.

The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid. There were no changes in the Company's capital risk management approach during the year ended December 31, 2021.

13. Commitments

On August 1, 2021, the Company entered into an agreement with a public affairs firm to create and execute business development strategies for the commercialization of the Company's SaaS-based supply chain solution in the healthcare, pharmaceutical, and cannabis categories until June 30, 2022. In consideration for the services the Company will pay the firm $3,000 per month and $80,000 upon the achievement of certain milestones. The Company will also receive a commission equal to 5% of the first-year recurring software revenue generated as a result of the relationship.

On November 12, 2021, as amended March 2, 2022, the Company entered into a letter of intent (the "LOI") with E3 Services Group LLC ("E3"). Under the terms of the LOI, the Company intends to acquire a majority of all outstanding common shares in the equity of E3. All terms provided in the LOI are subject to change pending factors including, but not limited to the completion of final negotiations, obtaining any applicable regulatory approvals, and approvals from the Board of Directors of both the Company and E3. Subsequent to December 31, 2021, the Company closed the acquisition of E3 as described in Note 16(e).

(Expressed in Canadian dollars)

14. Segmented information

The Company operates within two geographic areas, Canada and the US.

	Canada $	US $	Total $
Year ended December 31, 2021			
Revenue	-	204,630	204,630
Net Loss	(2,924,131)	(1,085,546)	(4,009,677)
Year ended December 31, 2020			
Revenue	-	-	-
Net Loss	(669,553)	-	(669,553)
As at December 31, 2021			
Total non-current assets	-	7,046,677	7,046,677
As at December 31, 2020			
Total non-current assets	-	-	-

15. Income tax

A reconciliation of income tax provision computed at Canadian and US statutory rates to the reported income tax provision is provided as follows:

		2021		2020
Loss before income taxes	$	(4,009,677)	$	(669,553)
Statutory tax rate		25.9%		27.0%
Income tax benefit computed at statutory rates		(1,040,167)		(180,779)
Unused tax losses and tax offsets not recognized		571,933		41,476
Share issuance costs		(31,374)		-
Items not deductible for tax		392,608		139,303
Income tax recovery	$	(107,000)	$	-

The Company did not recognize the following deferred tax assets:

		2021		2020
Non-capital losses	$	2,611,000	$	657,000
Share issuance costs		93,000		-
Property, equipment and intangible asset costs		416,000		-

As at December 31, 2021, the Company has operating losses available for carryforwards of approximately $2,611,000 (2019 - $657,000) available to apply against future Canadian and United States income for tax purposes that expire between 2034 and 2041.

16. Subsequent events

a) On February 9, 2022, the Company issued 1,333,334 common shares pursuant to option exercises for gross proceeds of $66,667.

b) On February 10, 2022, the Company issued 1,333,333 common shares pursuant to option exercises for gross proceeds of $66,667.

c) On February 16, 2022, the Company issued 233,333 common shares pursuant to option exercises for gross proceeds of $11,667.

d) On February 22, 2022, the Company completed a non-brokered private placement of 17,640,725 units at a price of $0.10 per share, for gross proceeds of $1,764,073. Each unit consists of one common share of the Company and one-half of one transferable share purchase warrant (with two half warrants being a "Warrant"). Each whole Warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.15 per share for a period of three years. In connection with the private placement, the Company paid finder's fees consisting of $85,350 cash commission, 853,800 warrants with the same terms as the Warrants described above.

e) On March 9, 2022, the Company completed the acquisition of a majority equity interest in E3. Consideration for the acquisition is USD$1,000,000 cash and 20,000,000 shares of the Company's common shares ("Consideration Shares").

   Cash of USD$500,000 was paid upon closing of the transaction and the remaining USD$500,000 is payable on or before the one year anniversary of the closing. The Consideration Shares will be subject to the statutory four month and one day statutory hold period and a concurrent 12-month lock-up whereby the initial 25% of the Consideration Shares will be released on closing with the remaining 75% of the Consideration Shares released in equal tranches on the 6th, 9th and 12th month from closing. E3 also has the opportunity to earn up to 3,000,000 warrants (each a "Warrant") to purchase a common share of the Company upon achieving performance-based milestones over the successive 12 months following the closing. Each Warrant is exercisable for a period of 36 months from closing to purchase one additional common share at $0.20 per common share.

   In connection with the closing of the acquisition, the Company issued 1,320,525 common shares as a finder's fee to an arm's length party.

   At the acquisition date, E3 had net current assets of approximately USD$457,000 and long-lived assets of approximately $277,000. Management has determined that E3 also has certain intangible assets. The purchase price allocation is still preliminary and subject to change as management has not fully determined the fair values of the net assets acquired.

f) On March 4, 2022, the Company granted an aggregate of 500,000 stock options to an officer. Each option is exercisable to acquire one common share of the Company at the price of $0.15 per share for a period of ten years from grant. An initial 71,500 Options vest immediately, and the remaining options will vest in five equal tranches every six-month period thereafter.

16. Subsequent events (cont'd)

g) On April 20, 2022, the Company has granted an aggregate of 3,250,000 RSUs under the Company's RSU Plan to consultants and an officer of the Company. The RSUs vest four months and one day from issuance. The RSUs entitle each holder to acquire one common share of the Company underlying each such RSU by delivering a notice of acquisition to the Company in accordance with the RSU Plan. In accordance with the RSU Plan, the RSUs were priced at $0.12 based on the closing price of the Company's common shares on the Canadian Securities Exchange on April 20, 2022.