



**SpotLite360 IOT Solutions, Inc.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three-months periods ended March 31, 2022 and 2021**

**Unaudited – prepared by Management**

**(Expressed in Canadian Dollars)**

## **NOTICE OF NO AUDITOR REVIEW**

Under National Instrument 51-102, Part 4 subsection 4.3 (3), if an auditor has not performed a review of the unaudited condensed interim financial statements, they must be accompanied by a notice indicating that the unaudited condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of SpotLite360 IOT Solutions, Inc. have been prepared by and are the responsibility of management.

These unaudited condensed interim financial statements for the three months ended March 31, 2022 have not been reviewed or audited by the Company's independent auditors in accordance with standards established by the Chartered Professional Accountants of Canada.

## SpotLite360 IOT Solutions, Inc.

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

As at,	Notes	March 31, 2022	December 31, 2021
<b>Assets</b>			
<b>Current Assets</b>			
Cash		\$ 944,151	\$ 268,460
Accounts receivable		1,072,213	143,584
Prepaid expenses	4	1,085,250	234,934
Loan receivable	6	51,135	56,951
<b>Total Current Assets</b>		<b>3,152,749</b>	<b>703,929</b>
<b>Non-Current Assets</b>			
Intangible assets	7	8,043,244	5,592,272
Equipment	5	353,352	13,804
Right-of-use asset	8	70,107	-
Goodwill	9	3,138,921	1,440,601
<b>Total Assets</b>		<b>\$ 14,758,373</b>	<b>\$ 7,750,606</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	11	\$ 1,069,590	\$ 762,029
Deferred revenue		1,722,890	-
Loan payable	13	17,633	17,338
Consideration payable	3	614,920	-
Lease liability	8	25,493	-
Software license liability	7	-	250,431
<b>Total Current Liabilities</b>		<b>3,450,526</b>	<b>1,029,798</b>
Deferred tax liability		891,000	891,000
Lease liability	8	44,614	-
<b>Total Liabilities</b>		<b>4,386,140</b>	<b>1,920,798</b>
<b>Shareholders' Equity</b>			
Share capital	12	13,191,866	9,191,463
Reserves		1,662,552	1,840,985
Non-controlling interest	10	1,583,135	-
Accumulated other comprehensive loss		(25,099)	(19,965)
Deficit		(6,040,221)	(5,182,675)
<b>Total Shareholders' Equity</b>		<b>10,372,233</b>	<b>5,829,808</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 14,758,373</b>	<b>\$ 7,750,606</b>

Approved and authorized by the Board on May 30, 2022.

"Alexander Somjen" (signed)  
Alexander Somjen, Director

"Joel Dumaresq" (signed)  
Joel Dumaresq, Director

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

## SpotLite360 IOT Solutions, Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

	Notes	Three Months Ended	
		March 31, 2022	March 31, 2021
Revenue		\$ 994,203	\$ -
Cost of sales		(89,136)	-
<b>Gross margin</b>		905,067	-
<b>Expenses</b>			
Amortization	5,7	\$ 248,590	\$ -
Consulting fees and marketing	13	461,049	9,765
Filing fees and corporate services		103,247	-
Foreign exchange		-	439
Interest expense	13	3,421	295
Office expenses		72,832	101
Professional fees	13	52,300	10,450
Rent	13	5,450	-
Salaries		219,673	-
Share-based compensation	12	101,794	-
<b>Total expenses</b>		\$ (1,268,356)	\$ (21,050)
<b>Loss before other items for the period</b>		(363,289)	(21,050)
Transaction costs	3	(184,875)	-
Net loss for the period		(548,164)	-
Foreign currency translation adjustment		(5,134)	-
<b>Net loss and comprehensive loss for the period</b>		\$ (553,298)	\$ (21,050)
<b>Net loss attributable to:</b>			
Shareholders of SpotLite360 IOT Solutions, Inc.		(857,546)	(21,050)
Non-controlling interests	10	309,382	-
		(548,164)	(21,050)
<b>Comprehensive loss attributable to:</b>			
Shareholders of SpotLite360 IOT Solutions, Inc.		(862,680)	(21,050)
Non-controlling interests	10	309,382	-
		\$ (553,298)	(21,050)
<b>Net loss per share – basic and diluted</b>		\$ (0.01)	\$ (0.00)
<b>Weighted average number of common shares outstanding</b>		56,043,334	21,316,321

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

## SpotLite360 IOT Solutions, Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the three month periods ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

	Share Capital		Subscriptions Received	Reserves	Accumulated Other Comprehensive Loss	Non- controlling interest	Deficit	Total
	Number of Common Shares	Amount						
<b>Balance at December 31, 2020</b>	<b>20,362,864</b>	<b>\$ 1,102,889</b>	<b>\$ 39,550</b>	<b>\$ 515,940</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,172,998)</b>	<b>\$ 485,381</b>
Net loss for the period	-	-	-	-	-	-	(21,050)	(21,050)
Shares issued – Private placements	2,600,337	390,050	(39,550)	-	-	-	-	350,500
<b>Balance at March 31, 2021</b>	<b>22,963,201</b>	<b>\$ 1,492,939</b>	<b>\$ -</b>	<b>\$ 515,940</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,194,048)</b>	<b>\$ 814,831</b>
<b>Balance at December 31, 2021</b>	<b>54,813,601</b>	<b>\$ 9,191,463</b>	<b>\$ -</b>	<b>\$ 1,840,985</b>	<b>\$ (19,965)</b>	<b>\$ -</b>	<b>\$ (5,182,675)</b>	<b>\$ 5,829,808</b>
Shares issued – Private placement	17,640,725	1,764,073	-	-	-	-	-	1,764,073
Cash share issuance costs	-	(138,740)	-	-	-	-	-	(138,740)
Non-cash share issuance cost	-	(93,829)	-	93,829	-	-	-	-
Shares issued for E3	20,000,000	1,764,968	-	-	-	1,273,753	-	3,038,721
Transaction costs	1,320,525	184,875	-	-	-	-	-	184,875
Shares issued upon the exercise of options	2,900,000	519,056	-	(374,056)	-	-	-	145,000
Share-based compensation	-	-	-	101,794	-	-	-	101,794
Foreign currency translation adjustment	-	-	-	-	(5,134)	-	-	(5,134)
Net loss for the period	-	-	-	-	-	309,382	(857,546)	(548,164)
<b>Balance at March 31, 2022</b>	<b>96,674,851</b>	<b>\$ 13,191,866</b>	<b>\$ -</b>	<b>\$ 1,662,552</b>	<b>\$ (25,099)</b>	<b>\$ 1,583,135</b>	<b>\$ (6,040,221)</b>	<b>\$ 10,372,233</b>

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

## SpotLite360 IOT Solutions, Inc.

Condensed Interim Consolidated Statements of Cash Flows  
For the three-month periods ended March 31, 2022 and 2021  
(Unaudited - Expressed in Canadian dollars)

	Three months ended	
	March 31, 2022	March 31, 2021
<b>Operating activities</b>		
Net loss for the period	\$ (548,164)	\$ (21,050)
Interest expense	295	295
Amortization	248,590	-
Share-based compensation	101,794	-
Transaction costs	184,875	-
Changes in non-cash working capital item:		
Accounts receivable	(847,087)	-
Prepaid expenses	146,924	(1,475)
Accounts payable and accrued liabilities	29,057	(4,618)
<b>Net cash flows used in operating activities</b>	<b>\$ (683,716)</b>	<b>\$ (26,848)</b>
<b>Investing activities</b>		
Cash paid to acquire E3	\$ (644,175)	\$ -
Cash acquired from acquisition of E3	268,369	-
<b>Net cash used in investing activities</b>	<b>\$ (375,806)</b>	<b>\$ -</b>
<b>Financing activities</b>		
Proceeds from exercise of stock options	\$ 145,000	\$ -
Net proceeds from issuance of shares – private placement	1,625,333	350,500
Short-term loan advanced	-	(100,731)
<b>Net cash received from financing activities</b>	<b>\$ 1,770,333</b>	<b>\$ 249,769</b>
Foreign exchange on cash	(35,120)	-
Change in cash	675,691	222,921
Cash, beginning of the period	268,460	352,167
<b>Cash, end of the period</b>	<b>\$ 944,151</b>	<b>\$ 575,088</b>
<b>Other supplementary information:</b>		
Interest paid	\$ -	\$ -
Taxes paid	-	-
Fair value of shares issued to acquire E3	1,764,968	-

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

## SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

---

### 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 March 31, 2022, the Company has a working capital deficit of \$297,777 (December 31, 2021 - \$325,869) and for the period ended March 31, 2022, the Company incurred a net loss of \$548,164 (2021 - \$21,050). 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 30, 2022 by the directors of the Company.

#### Statement of compliance

These unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

These unaudited interim consolidated financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2021.

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 have been applied consistently to all periods presented.

## SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

---

### 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 period ended March 31, 2022, the Company acquired E3 Services Group Inc. as described in Note 3. Details of controlled entities are as follows:

Name	Jurisdiction of incorporation	March 31, 2022	December 31, 2021
Captios, LLC	US	100%	100%
E3 Service Group, LLC.	US	51%	-
Spotlite360, Inc.	US	100%	100%

The functional currency of Captios, LLC, E3 Services Group, 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

In preparing these condensed interim consolidated financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited condensed interim consolidated financial statements for the year ended December 31, 2021.

#### 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.



## SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

### 3. Business Combination

On March 9, 2022, the Company acquired 51% equity interest in E3 Services Group, LLC ("E3"). E3 is an arm's length engineering firm operating in the agricultural and cannabis industry. The terms of the consideration is described below:

- Cash of US \$500,000 upon closing of the transaction (Paid);
- Cash of US \$500,000 one year from date of closing (Consideration payable); and,
- Issue 20,000,000 common shares with a fair value of \$1,764,968 ("Consideration Shares") (Issued).

The Consideration Shares are subject to a statutory four-month and one day 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 with a fair value of \$184,875 as a finder's fee to an arm's length party, which has been expensed to the statement of loss and comprehensive loss.

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. E3 had inputs, as well as substantial processes in place to generate outputs. As a result, the acquisition of E3 constituted a business combination as E3 met the definition of a business under IFRS 3 - Business Combinations.

<b>Purchase price:</b>	<b>\$</b>
Cash	644,175
Consideration payable	614,920
Consideration shares	1,764,968
<b>Total consideration paid to acquire 51% interest</b>	<b>3,024,063</b>
<b>Net assets acquired</b>	
Cash	268,369
Accounts receivable	81,542
Advances	78,509
Prepays	918,731
Property plant and equipment	355,707
Intangible assets	2,692,410
Right-of-use asset	71,930
Accounts payable	(28,073)
Deferred revenue	(1,767,699)
Lease liability	(71,930)
Net assets acquired	2,599,496
Net assets acquired attributable to the Company	1,325,743
Non-controlling interest (Note 10)	1,273,753
	2,599,496
Goodwill attributable to the Company	1,698,320

## SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

### 3. Business Combination (Continued)

The Company determined that E3's business objectives were synergistic with the Company's business plans and objectives. Goodwill consists of certain key individuals and the future economic potential of E3.

During the period ended from March 9, 2022 to March 31, 2022, the Company recorded a net income of \$840,373 in the Consolidated Statement of Loss and Comprehensive Loss in connection with the financial performance of E3.

### 4. Prepaid Expenses

	March 31, 2022	December 30, 2021
	\$	\$
Consulting fees	4,922	170,796
Insurance	12,890	16,277
Marketing	13,125	28,875
Equipment	895,442	-
Other	158,871	18,986
<b>Total</b>	<b>1,085,250</b>	<b>234,934</b>

### 5. Equipment

	Vehicles \$	Furniture and fixtures \$	Computer Equipment \$	Total \$
<b>Cost</b>				
Balance, December 31, 2020	-	-	-	-
Additions	-	-	15,588	15,588
<b>Balance, December 31, 2021</b>	<b>-</b>	<b>-</b>	<b>15,588</b>	<b>15,588</b>
Additions (Note 3)	245,004	110,703	-	355,707
Foreign exchange	(6,211)	(2,691)	(224)	(9,126)
<b>Balance, March 31, 2022</b>	<b>238,793</b>	<b>108,012</b>	<b>15,364</b>	<b>362,169</b>
<b>Accumulated amortization</b>				
Balance, December 31, 2020	-	-	-	-
Amortization	-	-	(1,766)	(1,766)
Foreign exchange	-	-	(18)	(18)
<b>Balance, December 31, 2021</b>	<b>-</b>	<b>-</b>	<b>(1,784)</b>	<b>(1,784)</b>
Amortization	(4,031)	(1,824)	(1,297)	(7,152)
Foreign exchange	54	23	42	119
<b>Balance, March 31, 2022</b>	<b>(3,977)</b>	<b>(1,801)</b>	<b>(3,039)</b>	<b>(8,817)</b>
<b>Net book values</b>				
December 31, 2021	-	-	13,804	13,804
<b>March 31, 2022</b>	<b>234,816</b>	<b>106,211</b>	<b>12,325</b>	<b>353,352</b>

### 6. Loans receivable

At March 31, 2022, the Company had advanced \$51,135 (December 31, 2021 - \$56,951) to TrackX Holdings, Inc. ("TrackX") a related company through common management. The loan is non-interest-bearing and due on demand.

## SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

### 7. 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.

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 USD\$100,000 per month from August 2021 to February 2022, for a total of USD\$900,000. At March 31, 2022, the Company had paid USD\$150,000 (December 31, 2021 – USD \$150,000) of monthly fees and USD \$550,000 (December 31, 2021 - USD\$350,000) was included in accrued liabilities.

		Software license	Customer relationships, contracts and back log	Total
<b>Cost</b>				
<b>December 31, 2020</b>		-	-	-
Acquired on acquisition	\$	5,000,000	-	5,000,000
Additions		1,112,217	-	1,112,217
<b>Balance at December 31, 2021</b>	\$	6,112,217	-	6,112,217
Additions (Note 3)		-	2,692,410	2,692,410
<b>Balance at March 31, 2022</b>		<b>6,112,217</b>	<b>2,692,410</b>	<b>8,804,627</b>
<b>Accumulated amortization</b>				
<b>December 31, 2020</b>		-	-	-
Additions	\$	(519,945)	-	(519,945)
<b>Balance at December 31, 2021</b>		(519,945)	-	(519,945)
Additions		(208,982)	(32,456)	(241,438)
<b>Balance at March 31, 2022</b>		<b>(728,927)</b>	<b>(32,456)</b>	<b>(761,383)</b>
<b>Balance at December 31, 2021</b>		5,592,272	-	5,592,272
<b>Balance at March 31, 2022</b>	\$	<b>5,383,290</b>	<b>2,659,954</b>	<b>8,043,244</b>

## SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

### 8. Right-of use asset and lease liabilities

The Company's primary leases consist of a research and development facility and an office space. The Company used an incremental borrowing rate of 15%.

The following is a continuity schedule of right-of-use assets for the period ended March 31, 2022:

	Office lease
Right-of-use assets	\$
<b>Balance, December 31, 2021</b>	-
Addition	70,107
<b>Balance, March 31, 2022</b>	<b>70,107</b>

The following is a continuity schedule of lease liabilities for period ended March 31, 2022:

	Office lease
Lease liabilities	\$
<b>Balance, December 31, 2021</b>	-
Additions	70,107
<b>Balance, March 31, 2022</b>	<b>70,107</b>
Less: current portion	25,493
Non-current portion	44,614

The undiscounted lease liabilities are as follows:

	\$
Year ending December 31,	
2022	29,443
2023	40,382
2024	8,154
Total lease payments	77,979

### 9. Goodwill

Management has identified three CGUs which represent the lowest level within the Company at which goodwill is monitored for internal management purposes, Captios, SpotLite360 and E3.

	Captios	E3	Total
<b>Balance, December 31, 2020</b>			
Additions	1,440,601	-	1,440,601
<b>Balance, December 31, 2021</b>	1,440,601	-	1,440,601
Additions	-	1,698,320	1,698,320
<b>Balance, March 31, 2022</b>	1,440,601	1,698,320	3,138,921

For the purpose of testing impairment, the recoverable amount of each CGU comprising good will was based on the fair values less cost of disposal, estimated using discounted cash flows. As at March 31, 2022, the recoverable amount of each CGU exceeded the carrying value and no impairment was recorded.

## SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

### 10. Non-controlling interest

The net change in non-controlling interest is as follows:

	E3
<b>Balance, December 31, 2021</b>	-
Additions, via business acquisition (Note 3)	1,273,753
Net and comprehensive loss attributable to NCI	309,382
<b>Balance, March 31, 2022</b>	<b>1,583,135</b>

### 11. Accounts payable and accrued liabilities

	March 31, 2022	December 31, 2021
Accounts payable	\$ 962,570	\$ 224,654
Accrued liabilities	107,020	537,375
	<b>\$ 1,069,590</b>	<b>\$ 762,029</b>

Included in accounts payable and accrued liabilities are amounts totaling \$66,865 (December 31, 2021 - \$586,490) due to related parties including a previous director and companies controlled by a previous director of the Company.

### 12. 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 three months ending March 31, 2022:*

During the period ended March 31, 2022, the Company issued 2,900,000 common shares pursuant to option exercises for gross proceeds of \$145,000. The Company transferred \$374,056 from reserves to share capital.

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 \$85,380 cash commission, \$53,360 in accounting and legal fees and 853,800 finder warrants with the same terms as the Warrants described above. The fair value of the finder warrant was measured using the Black-Scholes option pricing model with a fair value of \$93,829 with the following assumptions: stock price - \$0.17; exercise price - \$0.15; expected life - 3 years; volatility - 100%; dividend yield - Nil; and risk-free rate - 1.61%.

On March 9, 2022, the Company issued 20,000,000 common shares with a fair value of \$1,764,968 pursuant to the acquisition of E3 (Note 3). In conjunction with the acquisition of E3, the Company issued 1,320,525 finder common shares with a fair value of \$184,875.

## SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

### 12. Share Capital (Cont'd)

*Shares issued during the three months ended March 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.

#### b) 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.

*Stock options issued during the three months ended March 31, 2022:*

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. The total grant date fair value of the options was measured at \$67,343. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - \$0.15; exercise price - \$0.15; expected life - 10 years; volatility - 100%; dividend yield - \$0; and risk-free rate - 2.16%. During the period ended March 31, 2022, the Company recognized share-based compensation of \$31,627.

No stock options were issued during the three months period ended March 31, 2021.

The following is a summary of the Company's option activity for the periods ended March 31, 2022 and December 31, 2021:

	<b>Number of Options</b>
<b>Outstanding, December 31, 2020</b>	<b>4,000,000</b>
Issued	6,450,000
Exercised	(1,100,000)
<b>Outstanding, December 31, 2021</b>	<b>9,350,000</b>
Issued	500,000
Exercised	(2,900,000)
<b>Outstanding, March 31, 2022</b>	<b>6,950,000</b>

During the period ended March 31, 2022, 2,900,000 stock options were exercised. The weighted average share price for options exercised during the period ended March 31, 2022 was \$0.05.

The weighted average remaining contractual life of the options outstanding at March 31, 2022, is 5.39 years (December 31, 2021 - 4.98) and the details of options outstanding as at March 31, 2022 are as follows:

<b>Exercise price</b>	<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Expiry date</b>
\$0.25	6,000,000	6,000,000	June 14, 2026
\$0.05	450,000	32,201	September 30, 2031
\$0.15	500,000	9,630	March 4, 2032
Total	6,950,000	6,041,831	

## SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

### 12. Share Capital (Cont'd)

#### b) Warrants

As at March 31, 2022, the Company had warrants outstanding and exercisable enabling holders to acquire the following:

<b>Number of Warrants Issued</b>	<b>Number of Warrants exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
10,792,400	10,792,400	\$0.75	April 20, 2023
9,674,163	9,674,163	\$0.15	February 22, 2025
3,000,000	-	\$0.20	March 9, 2025
<b>23,466,563</b>	<b>20,466,563</b>		

A summary of the status of the Company's warrants outstanding and exercisable as at March 31, 2022 and 2021, and changes during those years is presented below:

	<b>Number of warrants Issued</b>	<b>Weighted Average Exercise Price</b>
<b>Balance, December 31, 2021</b>	<b>10,792,400</b>	<b>0.75</b>
Issued	12,674,163	0.16
<b>Balance, March 31, 2022</b>	<b>23,466,563</b>	<b>0.43</b>

#### 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 5 years from the date of vesting of the RSU and 10 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 March 31, 2022.

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 RSUs 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.

## SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

### 12. Share Capital (Cont'd)

#### c) Restricted Stock Units (continued)

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 5 years. During the period ended March 31, 2022, the Company recognized \$70,167 relating to the vested portion of the RSUs.

#### c) 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.

### 13. 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 periods ended March 31, 2022 and 2021:

	March 31, 2022	March 31, 2021
Professional, corporate and interest charged by a company controlled by a former director	\$ 225,963	\$ 19,510
Rent incurred to a company with common management	58,641	-
Management compensation	134,801	-
	<b>\$ 419,405</b>	<b>\$ 19,510</b>

Included in professional fees are \$154,642 (2021 - \$9,765) corporate services and \$71,025 (2021 - \$9,450) for accounting services by a company controlled by a former director of the Company.

At March 31, 2022, the Company owed a principal loan of \$15,000 (December 31, 2021 - \$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 three months ended March 31, 2022, the Company accrued interest of \$295 (2021 - \$295).

As at March 31, 2022, there was \$40,000 (December 31, 2021 - \$117,404) 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 March 31, 2022, the Company had advanced \$51,135 (December 31, 2021 - \$56,951) to TrackX a related company through common management. The loan was non-interest-bearing and due on demand. The Company had and recorded a software license liability of \$Nil (December 31, 2021 - \$250,431), and accounts payables and accrued liabilities \$687,280 (December 31, 2021 - \$469,086) of unpaid amounts owing pursuant to the license agreement described in Note 7. These amounts are non-interest bearing and due on demand.

On March 4, 2022, the Company granted an aggregate of 500,000 stock options to an officer with a fair value of \$67,313. 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.



## SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

---

### 14. 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.

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

Financial instruments classified as level 2 includes 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 three months ended March 31, 2022, one customer represented 100% of revenue and 92% of receivables. At March 31, 2022, 92% (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 \$944,151 (December 31, 2021 – \$268,460) to satisfy its current financial obligations of \$3,450,526 (December 31, 2021 - \$1,029,798). All of the financial liabilities of the Company are due within 12 months of March 31, 2022. The Company will be required to raise additional financing to settle its financial obligations and to continue further execution of its business plan.

## SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

---

### 14. Financial instruments and risk management (cont'd)

#### 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 March 31, 2022.

#### 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.

#### 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 from the year ended December 31, 2021.

### 15. Commitment

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.

## SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three-month periods ended March 31, 2022 and 2021

(Unaudited - Expressed in Canadian dollars)

### 16. Segmented information

The Company operates within two geographic areas, Canada and U.S.

	Canada	U.S.	Total
	\$	\$	\$
Three months ended March 31, 2022			
Revenue	-	994,203	994,203
Net income (loss)	(737,824)	189,660	(548,164)
Three months ended March 31, 2021			
Revenue	-	-	-
Net loss	(21,050)	-	(21,050)
As at March 31, 2022			
Total non-current assets	-	11,605,624	11,605,624
As at December 31, 2021			
Total non-current assets	-	7,046,677	7,046,677

### 17. Subsequent event

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.