SpotLite360 IOT Solutions, Inc.

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars)

RELIANT
CPA PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of SpotLite IOT Solutions, Inc.:

Opinion
We have audited the consolidated financial statements of SpotLite IOT Solutions, Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

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

Material Uncertainty Related to Going Concern
We draw attention to Note 1 in the financial statements, which indicates that the Company incurred significant operating losses since inception and has an accumulated deficit of $19,274,346 as at December 31, 2022. For the year ended December 31, 2022, the Company incurred a net loss of $13,156,862. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist 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 Matter
The financial statements of the Company for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on May 2, 2022.

Other Information
Management is responsible for the other information. The other information comprises:
- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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 auditor’s report is Brian Rusywick.

/s/ Reliant CPA PC

CERTIFIED PUBLIC ACCOUNTANTS

Newport Beach, California

May19, 2023

We have served as the Company's auditor since 2023.

(Expressed in Canadian dollars)

As at,	**Notes**		**December 31, 2022**		**December 31, 2021**
Assets					
Current Assets					
Cash		$	24,609	$	268,460
Accounts receivable			323		143,584
Inventory			101,580		-
Prepaid expenses	5		200		234,934
Loan receivable - related party	7		94,702		56,951
Total Current Assets			**221,414**		**703,929**
Non-Current Assets					
Intangible assets	8		-		5,592,272
Equipment	6		9,121		13,804
Goodwill	10		-		1,440,601
Disposal group	4		3,116,241		-
Total Assets		**$**	**3,346,776**	$	**7,750,606**
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	14	$	761,158	$	762,029
Loan payable – related party	12, 14		73,769		17,338
Consideration payable	3		311,796		-
Software license liability	8		-		250,431
Disposal group	4		1,766,486		-
Total Current Liabilities			**2,913,209**		**1,029,798**
Deferred tax liability			-		891,000
Disposal group	4		137,908		-
Total Liabilities			**3,051,117**		**1,920,798**
Shareholders' Equity					
Share capital	13		15,062,271		9,191,463
Reserves			2,214,902		1,840,985
Non-controlling interest	11		1,872,785		-
Accumulated other comprehensive loss			420,047		(19,965)
Deficit			(19,274,346)		(5,182,675)
Total Shareholders' Equity			**295,659**		**5,829,808**
Total Liabilities and Shareholders' Equity		**$**	**3,346,776**	**$**	**7,750,606**

Approved and authorized by the Board on May 19, 2023.

"Billy Joe Page" (signed)
Billy Joe Page, Director

"Gene McConnell" (signed)
Gene McConnell, Director

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

(Expressed in Canadian dollars)

		Years Ended	
	Notes	**December 31, 2022**	**December 31, 2021**
Revenue		$ 11,303	$ 204,630
Cost of sales		(79,311)	(149,154)
Gross (loss) profit		(68,008)	55,476
Expenses			
Amortization	6,8	$ 922,624	$ 521,711
Consulting fees and marketing	14	844,733	1,435,424
Filing fees and corporate services		175,207	60,852
Foreign exchange		38,234	17,300
Impairment of intangible assets	8	5,942,083	-
Impairment of goodwill	10	1,474,554	-
Office expenses		162,889	101,001
Professional fees	14	206,801	292,534
Rent	14	16,858	22,597
Salaries		591,603	216,698
Share-based compensation	14	769,254	1,444,769
Total expenses		**$ (11,144,840)**	**$ (4,112,886)**
Loss before other items for the year		**$ (11,212,848)**	**$ (4,057,410)**
Gain on settlement of debt		-	35,044
Interest expense	14	(3,527)	(1,510)
Loss on investments		-	(92,801)
Transaction costs	3	(347,593)	-
Loss from continuing operations before income tax		**$ (11,563,968)**	**$ (4,116,677)**
Deferred income tax recovery		891,000	107,000
Net loss from continuing operations, net of tax		**$ (10,672,968)**	**$ (4,009,677)**
Loss from discontinued operations		(2,483,894)	-
Net loss		**$ (13,156,862)**	**$ (4,009,677)**
Net loss attributable to:			
Non-controlling interests in discontinued operations	11	**$ 934,809**	**$ -**
Shareholders of SpotLite360 IOT Solutions, Inc.:			
- Continuing operations		**(11,607,777)**	**(4,009,677)**
- Discontinued operations		**(2,483,894)**	**-**
		(14,091,671)	**(4,009,677)**
Net loss		**$ (13,156,862)**	**$ (4,009,677)**
Loss per share attributable to Shareholders of SpotLite360 IOT Solutions, Inc.:			
From continuing operations		(0.09)	(0.10)
From discontinued operations		(0.02)	-
Total loss per share		**(0.11)**	**(0.10)**
Weighted average number of common shares outstanding		**116,077,976**	**42,001,204**

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

SpotLite360 IOT Solutions, Inc.

Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

	Notes	Years Ended December 31, 2022	December 31, 2021
Net Loss		$ (13,156,862)	$ (4,009,677)
Other comprehensive income (loss)			
Exchange differences on translation of foreign operations from continuing operations		421,522	(19,965)
Exchange differences on translation of foreign operations from discontinued operations		18,490	-
Total other comprehensive income (loss)		**$ (12,716,850)**	**$ (4,029,642)**
Total comprehensive loss attributable to:			
Non-controlling interests	11	**934,809**	**-**
Shareholders of SpotLite360 IOT Solutions, Inc.:			
- Continuing operations		**(11,186,255)**	**(4,029,642)**
- Discontinued operations	4	**(2,465,404)**	**-**
Total comprehensive income (loss)		**(12,716,850)**	**(4,029,642)**

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

SpotLite360 IOT Solutions, Inc.

Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

	Share Capital							
	Number of Common Shares	Amount	Subscriptions Received	Reserves	Accumulated Other Comprehensive Loss	Non-controlling interest	Deficit	Total
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 period	-	-	-	-	-	-	(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**
Shares issued – Private placements	21,140,725	2,114,073	-	-	-	-	-	2,114,073
Cash share issuance costs	-	(149,240)	-	-	-	-	-	(149,240)
Non-cash share issuance cost	-	(98,719)	-	98,719	-	-	-	-
Shares issued for E3	20,000,000	1,764,968	-	-	-	1,272,852	-	3,037,820
Transaction costs	1,320,525	184,873	-	-	-	-	-	184,873
Shares issued for acquisition of BTTD	1,000,000	95,000	-	-	-	-	-	95,000
Shares issued for acquisition of RETI	13,250,000	1,258,750	-	-	-	-	-	1,258,750
Shares issued upon the conversion of RSUs	1,000,000	120,000	-	(120,000)	-	-	-	-
Shares issued to settle debt	653,125	62,047	-	-	-	-	-	62,047
Shares issued upon the exercise of options	2,900,000	519,056	-	(374,056)	-	-	-	145,000
Share-based compensation	-	-	-	769,254	-	-	-	769,254
Dividend to non-controlling interests	-	-	-	-	-	(334,876)		(334,876)
Foreign currency translation adjustment	-	-	-	-	440,012	-	-	440,012
Net loss for the period	-	-	-	-	-	934,809	(14,091,671)	(13,156,862)
Balance at December 31, 2022	**116,077,976**	**$ 15,062,271**	**$ -**	**$ 2,214,902**	**$ 420,047**	**$ 1,872,785**	**$ (19,274,346)**	**$ 295,659**

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

SpotLite360 IOT Solutions, Inc.

Consolidated Statements of Cash Flows
For the year ended December 31, 2022 and 2021
(Expressed in Canadian dollars)

		Years ended December 31, 2022		December 31, 2021
Operating activities				
Net loss for the year	$	(13,156,862)	$	(4,009,677)
Non-cash interest expense		20,862		26,874
Amortization		1,633,229		521,711
Deferred tax recovery		(891,000)		(107,000)
Foreign exchange		20,693		-
Gain on settlement of debt		-		(35,044)
Impairment of goodwill		3,173,811		-
Impairment of intangible assets		8,196,331		-
Impairment of equipment		131,225		-
Loss on investment securities		-		92,800
Share-based compensation		769,254		1,444,769
Non-cash transaction costs		279,873		-
Changes in non-cash working capital items:				
Accounts receivable		(1,805,167)		(143,584)
Deferred revenue		(1,562,585)		-
Inventory		(101,580)		-
Prepaid expenses		906,111		(234,934)
Accounts payable and accrued liabilities		1,951,237		1,317
Net cash flows used in operating activities	**$**	(434,568)	$	(2,442,768)
Investing activities				
Purchase of equipment	$	(383,137)	$	(15,588)
Capitalized software development costs		(322,094)		(458,748)
Cash paid to acquire E3		(983,139)		-
Cash acquired from acquisition of Captios, LLC		-		111,202
Cash acquired from acquisition of E3		267,557		-
Short-term loan advanced		-		(138,256)
Net cash used in investing activities	**$**	(1,420,813)	$	(501,390)
Financing activities				
Proceeds from exercise of stock options	$	145,000	$	55,000
Net proceeds from issuance of shares – private placement		1,964,833		2,849,300
Lease payments		(84,801)		-
Repayment of loans payable		(17,338)		(38,741)
Dividends paid to non-controlling interest		(334,876)		-
Proceeds from notes payable		149,615		-
Net cash received from financing activities	**$**	1,822,433	$	2,865,559
Foreign exchange on cash		(41,202)		(5,108)
Change in cash		(74,150)		(83,707)
Cash, beginning of the year		268,460		352,167
Cash, end of the year	**$**	**194,310**	**$**	**268,460**
Other supplementary information:				
Interest paid	$	2,338	$	-
Taxes paid		-		-
Fair value of shares issued to acquire RETI		1,258,750		-
Fair value of shares for transaction costs		279,873		-
Fair value of shares issued to acquire E3		1,764,968		-
Fair value of finder's fee shares issued		-		47,600
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, 2022, the Company has a working capital deficit of $2,691,795 (December 31, 2021 – $325,869) and for the period ended December 31, 2022, the Company incurred a net loss of $13,156,862 (2021 - $4,009,677). 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 19, 2023 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, 2022, the Company acquired E3 Services Group Inc. as described in Note 3 and Reti Capital Corp. as described in Note 7. Details of controlled entities are as follows:

Name	Jurisdiction of incorporation	December 31, 2022	December 31, 2021
Captios, LLC	US	100%	100%
E3 Service Group, LLC.	US	51%	-
Reti Capital Corp. (Inactive)	US	100%	-
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

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:

<u>Going concern</u>
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 judgement based on historical experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances.

<u>Deferred tax assets</u>
The ability of the Company to recognize deferred tax assets involves judgement of the probability that the Company will be able to generate taxable income in the future.

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

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

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 company's 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.

Business combinations

Judgement 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 contingent consideration, if applicable. Significant judgement and estimation is also required in the determination of the fair value of the consideration paid for the acquisition. 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 judgements 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 conditions or events require, whether equipment, intangible assets or goodwill have indicators of impairment. In determining whether the intangible asset is 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.

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

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.

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.

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

Financial Instruments (cont'd)

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.

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.

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

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 7 years.

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.

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)

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.

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, primarily revenue has been earned from agricultural design, engineering and implementation services provided by an entity which was classified as discontinued operations at December 31, 2022. For revenue transactions, the Company enters into statements of work that identify the Company's performance obligations as well as the transaction price. Performance obligations include consulting, installation and project management services. The Company recognizes revenue over time as the Company provides the consulting, installation and project management services and fulfills the performance obligations related to the project as outlined in the statements of work. During the years ended December 31, 2022 and 2021, 100% of total revenue was earned from customers in the United States.

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.

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

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.

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.

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.

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

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.

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.

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

Business combinations

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.

3. Business Combinations

Acquisition of E3:

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. Control of E3 was lost subsequent to December 31, 2022 as described in Note 18. 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. At December 31, 2022, $334,876 (US $269,790) of the US $500,000 has been paid via the application of the Company's portion of a dividend declared by E3 as discussed in Note 11 and $311,796 (US $230,210) remains payable. (Consideration payable);
- 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. Upon achieving certain performance-based milestones over the 12 months following the closing E3 also has the opportunity to earn up to 3,000,000 warrants (each a "Warrant"). Each Warrant is exercisable for a period of 36 months from closing to purchase one additional common share of the Company at $0.20 per common share. None of the 3,000,000 Warrants vested and the Warrants were cancelled subsequent to December 31, 2022 (Note 13(b).

In connection with the closing of the acquisition, the Company issued 1,320,525 common shares with a fair value of $184,873 as a finder's fee, which has been expensed to the statement of loss as transaction costs.

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.

(Expressed in Canadian dollars)

3. Business Combination (Continued)

Purchase price:	**$**
Cash	644,175
Consideration payable	614,920
Consideration shares	1,764,968
Total consideration paid to acquire 51% interest	**3,024,063**
Net assets acquired	
Cash	267,557
Accounts receivable	81,542
Prepaids	918,731
Property plant and equipment	476,820
Intangible assets (Customer Relationships)	2,692,410
Right-of-use asset	71,930
Accounts payable	(71,703)
Deferred revenue	(1,767,699)
Lease liability	(71,930)
Net assets acquired	2,597,658
Net assets acquired attributable to the Company	1,324,806
Non-controlling interest (Note 10)	1,272,852
	2,597,658
Goodwill attributable to the Company	1,699,257

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.

The fair value of the intangible asset was determined using the income approach. Key estimates used to determine the fair value the acquired intangible asset and goodwill 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 18%.

During the period ended from March 9, 2022 to December 31, 2022, the Company recorded a net loss of $2,483,894 in the Consolidated Statement of Loss and Comprehensive Loss which represented 100% of the financial performance of E3.

In February 2023, the Company terminated its agreement with E3. As part of the termination, E3 vendors have agreed to return the Consideration Shares to the Company for cancellation in exchange for the return of its 51% equity interest in E3 as disclosed in Note 18. Upon the termination of the acquisition agreement and relationship with E3, the Company has no equity interest in E3. As a result of the subsequent termination, the Company recorded an impairment of intangible assets acquired as part of the E3 acquisition of $2,254,248 and goodwill associated with the acquisition of E3 of $1,699,257 at December 31, 2022.

Acquisition of Captios:

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.

(Expressed in Canadian dollars)

3. Business Combination (Continued)

Captios had inputs, mainly the software license acquired, as well as substantial 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.

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 year ended December 31, 2022, the Company recorded a net loss of $7,224,006 (period ended from June 4, 2021 to December 31, 2021 - $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 the acquired intangible asset and goodwill 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%.

During the year ended December 31, 2022, 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. As a result of the assessment the Company recorded an impairment for the full carrying amount of the acquired intangible assets (Note 8) and goodwill of $1,474,554 (Note 10).

Acquisition of BTTD:

On August 25, 2022, the Company attempted to acquire a 100% equity interest in Back to the Digital, Inc. ("BTTD") a Denver, Colorado based digital media company. Consideration for the acquisition of BTTD consisted of 1,000,000 common shares of the Company with a fair value of $95,000 and $67,720 (US$50,000) cash. The Company was unable to complete the acquisition and the value of the shares issued of $95,000 and the $67,720 paid was recorded as a transaction cost.

(Expressed in Canadian dollars)

4. Discontinued operations

In February 2023, the Company terminated its agreement and relationship with E3. As described in Note 3, the Company entered into an agreement with the shareholders of E3 in March 2022 to acquire a 51% equity stake in E3. Given the capital-intensive nature of the existing contracts and the challenges of implementing E3's business into the Company's core business, the Company determined in fiscal 2022 that it would be discontinuing the operations.

The following table summarizes the assets and liabilities in the disposal group:

	At December 31, 2022	At December 31, 2021
Assets		
Cash	$ 169,701	$ -
Accounts receivable	1,992,219	-
Prepaid expenses	247,354	-
ROU asset	185,654	-
Equipment	521,313	-
Total assets of the disposal group	3,116,241	-
Liabilities		
Accounts payable	$ 1,424,886	$ -
Loans payable	75,846	-
Deferred revenue	205,114	-
ROU liability	198,548	-
Total liabilities of the disposal group	**$ 1,904,394**	**$ -**
Current liabilities	**(1,766,486)**	**-**
Non-current liabilities	**$ 137,908**	**$ -**

The net loss from discontinued operations for the years ended December 31, 2022, and 2021 are presented below:

	Years Ended December 31, 2022	Years Ended December 31, 2021
Revenue	$ 19,839,660	$ -
Cost of sales	(15,272,603)	-
Gross margin	4,567,057	-
Expenses		
Amortization	$ 710,605	$ -
Consulting fees and marketing	426,844	-
Interest expense	19,945	-
Office expenses	811,250	-
Salaries	997,577	-
Total expenses	**$ (2,966,221)**	**$ -**
Income before other items for the year	**$ 1,600,836**	**$ -**
Impairment of intangible assets	(2,254,248)	-
Impairment of goodwill	(1,699,257)	-
Impairment of equipment	(131,225)	-
Loss from discontinued operations	**$ (2,483,894)**	**$ -**
Income tax expense	**-**	**-**
Net loss from discontinued operations	**$ (2,483,894)**	**$ -**

(Expressed in Canadian dollars)

4. Discontinued Operations (Continued)

The consolidated statements of cash flows for the years ended December 31, 2022, and 2021 were not restated to present the cash flows from the discontinued operations separately as the Company elected to provide this information in the present note. The cash flows from the discontinued operations of E3 subsidiaries for the years ended December 31, 2022, and 2021 are presented in the following table:

	Years Ended December 31, 2022	December 31, 2021
Cash flows from operating activities	$ 209,761	$ -
Cash flows used in financing activities	(383,137)	-
Cash flows from investing activities	45,221	-
Net effects of currency exchange rate on cash	30,299	-
Cash flows generated during the year	**$ (97,856)**	**$ -**

5. Prepaid Expenses

	December 31, 2022 $	December 30, 2021 $
Consulting fees and commissions	91,847	170,796
Insurance	-	16,277
Marketing	-	28,875
Equipment	117,047	-
Other	38,660	18,986
Total	**247,554**	**234,934**

6. Equipment

	Computer Equipment $
Cost	
Balance, December 31, 2020	**-**
Additions	15,588
Balance, December 31, 2021	**15,588**
Foreign exchange	1,065
Balance, December 31, 2022	**16,653**
Accumulated amortization	
Balance, December 31, 2020	-
Amortization	(1,766)
Foreign exchange	(18)
Balance, December 31, 2021	**(1,784)**
Amortization	(5,405)
Foreign exchange	(343)
Balance, December 31, 2022	**(7,532)**
Net book values	
December 31, 2021	13,804
December 31, 2022	**9,121**

6. Equipment (Continued)

At December 31, 2022, the Company reclassified equipment with a cost of $859,957 and accumulated depreciation of $202,846 to assets classified as held for sale. The prior period comparative amounts of cost of $Nil and accumulated depreciation of $Nil were also re-classified.

7. Loans Receivable – Related Party

At December 31, 2022, the Company had advanced $94,702 (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.

8. Intangible Assets

As part of the acquisition of Captios, the Company acquired a software license. On July 6, 2020, the Company 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. (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. During the year ended December 31, 2022, the Company capitalized $322,094 relating to the further development of the software.

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 December 31, 2022, the Company had paid USD$150,000 (December 31, 2021 – USD $150,000) of the monthly fees.

During the year ended December 31, 2022, the extension of the right of exclusivity was relinquished in exchange for the forgiveness of the remaining $715,605 (USD$550,000) owing pursuant to the amended agreement. The Company reduced the carrying amount of the capitalized costs by the $715,605 amount that was forgiven. At December 31, 2022, the Company determined that the license's carrying amount exceeded its recoverable amount, as a result the Company recorded an impairment equal to the excess of the carrying amount over the recoverable amount of $4,704,313.

RETI Acquisition

On August 25, 2022, the Company announced it acquired a 100% equity interest in Reti Capital Corp. ("RETI"). Consideration for the acquisition of RETI consisted of 13,250,000 common shares of the Company with a fair value of $1,258,750.

(Expressed in Canadian dollars)

8. Intangible Assets (Continued)

The acquisition of RETI did not constitute a business combination because the entity does not meet the definition of a business under IFRS 3 – Business Combinations. As a result, the transaction has been measured at the fair value of equity consideration issued and allocated to the sole identifiable asset which consisted of a global license with Encapsa Technology Ventures, Inc. ("Encapsa") to Encapsa's patented data storage and data management technology. At December 31, 2022, the Company determined that the license's carrying amount exceeded its recoverable amount, as a result the Company recorded an impairment of the full carrying amount of $1,237,770.

		Software licenses
Cost		
December 31, 2020	-	-
Acquired on acquisition	$	5,000,000
Additions		1,112,217
Balance at December 31, 2021	$	6,112,217
Acquired on acquisitions		1,258,750
Internally generated assets		322,094
Exclusivity relinquished		(715,605)
Foreign exchange		400,102
Balance at December 31, 2022		**7,377,558**
Accumulated amortization		
December 31, 2020		-
Additions	$	(519,945)
Balance at December 31, 2021		(519,945)
Additions		(917,219)
Foreign exchange		1,689
Balance at December 31, 2022		(1,435,475)
Impairment		
December 31, 2020 and 2021		-
Additions	$	(5,942,083)
Balance at December 31, 2021		(5,942,083)
Balance at December 31, 2021		5,592,272
Balance at December 31, 2022	$	-

At December 31, 2022, the Company reclassified the customer relationships intangible assets acquired as part of the E3 acquisition with a cost of $2,692,410, accumulated amortization of $438,162, an accumulated impairment of $2,254,248 and a net carrying value of $Nil to assets classified as held for sale. The prior period comparative amounts of cost of $Nil and accumulated amortization of $Nil were also re-classified.

9. 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%.

(Expressed in Canadian dollars)

9. Right-of use asset and lease liabilities (Continued)

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

Right-of-use assets	Office lease #1 $	Office lease #2 $	Warehouse Lease $	Total $
Balance, December 31, 2021	**-**	**-**	**-**	**-**
Additions	70,107	105,282	70,034	245,423
Depreciation	(27,536)	(30,526)	(18,338)	(76,400)
Foreign Exchange	4,920	6,474	5,235	16,629
Balance, December 31, 2022	**47,491**	**81,230**	**56,931**	**185,652**

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

Lease liabilities	Office lease $	Office lease #2 $	Warehouse Lease $	Total $
Balance, December 31, 2021	**-**	**-**	**-**	**-**
Additions	70,107	105,282	70,034	245,423
Accretion	6,278	7,731	6,853	20,862
Payments	(30,838)	(32,707)	(21,256)	(84,801)
Additions	5,024	6,668	5,372	17,064
Balance, December 31, 2022	50,571	86,974	61,003	198,548
Less: current portion	21,498	26,998	12,144	60,640
Non-current portion	29,073	59,976	48,859	137,980

The undiscounted lease liabilities are as follows:

Year ending December 31,	$
2023	132,341
2024	81,906
2025	8,147
Total lease payments	222,394

As at December 31, 2022, all of the Company's right-of use assets and liabilities were classified as held for sale.

10. 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. For the purpose of testing impairment, the recoverable amount of each CGU comprising goodwill was based on the fair values less cost of disposal, estimated using discounted cash flows. As at December 31, 2022, the carrying value of the CGUs exceeded the recoverable amount and a full impairment of the goodwill associated with the acquisition of Captios of $1,474,554 and the acquisition of E3 of $1,699,257 was recorded.

	Captios	**E3**	**Total**
Balance, December 31, 2020			
Additions	1,440,601	-	1,440,601
Balance, December 31, 2021	1,440,601	-	1,440,601
Additions	-	1,699,257	1,699,257
Impairment of goodwill	(1,474,554)	(1,699,257)	(3,173,811)
Foreign exchange	33,953	-	33,953
Balance, December 31, 2022	-	-	-

(Expressed in Canadian dollars)

11. Non-Controlling Interest

The Company held a 51% interest in E3 during the year ended December 31, 2022. In February 2023, the Company terminated its agreement and relationship with E3. As a result, E3's results have been classified as discontinued operations. The summarized statements of financial position for E3, and the summarized statements of operations for E3 are provided below. This information is based on amounts before inter-company eliminations.

Summarized statements of financial position for E3:

	At	
	December 31, 2022	**December 31, 2021**
Total current assets	$ 2,409,274	-
Non-current assets	706,967	-
Total current liabilities	(1,820,662)	
Non-current liabilities	(137,908)	-

Summarized statement of operations of E3:

	Years Ended	
	December 31, 2022	**December 31, 2021**
Revenue	$ 19,839,660	$ -
Cost of sales	(15,272,603)	-
Amortization	(272,443)	-
Administrative expenses	(2,386,841)	-
Net income and comprehensive income	**$ 1,907,773**	**$ -**

The cash flows of the subsidiary are as follows:

	Years Ended	
	December 31, 2022	**December 31, 2021**
Cash flows from operating activities	$ 209,761	$ -
Cash flows used in financing activities	(383,137)	-
Cash flows from investing activities	45,221	-
Net effects of currency exchange rate on cash	30,299	-
Cash flows generated during the year	**$ (97,856)**	**$ -**

(Expressed in Canadian dollars)

11. Non-Controlling Interest (Continued)

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

	E3
Balance, December 31, 2021	-
Additions, via business acquisition (Note 3)	1,272,852
Dividends paid to NCI(1)	(334,876)
Net income attributable to NCI	934,809
Balance, December 31, 2022	1,872,785

(1) During the year ended December 31, 2022, E3 declared a dividend of $683,420. The NCI portion of the dividend was $334,876.

12. Loans Payable

At December 31, 2022, the Company owed a principal loan of $Nil (December 31, 2021 - $17,338) obtained from an unrelated party (December 31, 2021 - company controlled by a director of the Company). The loan is unsecured, bearing interest at 12% (December 31, 2021 - 8%) per annum and is due on demand. During the year ended December 31, 2022, the Company accrued interest of $295 (2021 - $898) and repaid $17,338.

At December 31, 2022, the Company the Company owed a principal loan of $73,769 (USD$54,466) obtained from an unrelated party. The loan is unsecured, bears interest at 12% and is due on demand. The Company also owed a principal loan of $75,846 (USD$56,000). The loan is unsecured, non-interest bearing and due on demand. As this amount was owed by E3 the loan payable is included in the disposal group liabilities on the statement of financial position.

13. 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 ending December 31, 2022:

During the year ended December 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%.

13. Share Capital (Continued)

On September 23, 2022, the Company completed a non-brokered private placement of 3,500,000 units at a price of $0.10 per share, for gross proceeds of $350,000. 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 $0.20 per share for a period of two years. In connection with the private placement, the Company paid finder's fees consisting of $10,500 cash commission, and 105,000 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 $4,890 with the following assumptions: stock price - $0.115; exercise price - $0.20; expected life – 2 years; volatility – 100%; dividend yield – Nil; and risk-free rate – 3.74%.

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 $184,873.

On August 25, 2022, the Company issued 13,250,000 common shares with a fair value of $1,258,750 pursuant to the acquisition of RETI (Note 7).

On August 25, 2022, the Company issued 1,000,000 common shares with a fair value of $95,000 pursuant to the acquisition of BTTD (Note 3).

On October 6, 2022, the Company issued 1,000,000 common shares pursuant to the exercise of RSUs. The Company transferred $120,000 from reserves to share capital.

Shares issued during the years 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.

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.

(Expressed in Canadian dollars)

13. Share Capital (Continued)

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 year ended December 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 and during the year ended December 31, 2022, the Company recognized $32,716 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 - $0.15; exercise price - $0.15; expected life – 10 years; volatility – 100%; dividend yield – $0; and risk-free rate – 2.16%. During the year ended December 31, 2022, the Company recognized share-based compensation of $32,716.

Stock options issued during the year ended December 31, 2021:

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 vested upon grant. The grant date fair value of the options was measured at $1,113,005. 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%.

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 vest over 36 months. The grant date fair value of the options was measured at $96,604 and during the year ended December 31, 2022, the Company recognized $13,593 (2021 - $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 - $0.24; 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, 2022 and December 31, 2021:

	Number of Options
Outstanding, December 31, 2020	**4,000,000**
Granted	6,450,000
Exercised	(1,100,000)
Outstanding, December 31, 2021	**9,350,000**
Granted	500,000
Exercised	(2,900,000)
Outstanding, December 31, 2022	**6,950,000**

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

(Expressed in Canadian dollars)

13. Share Capital (Continued)

The weighted average remaining contractual life of the options outstanding at December 31, 2022, is 4.63 years (December 31, 2021 – 4.98) and the details of options outstanding as at December 31, 2022 are as follows:

Exercise price	Options outstanding	Options exercisable	Expiry date
$0.25	6,000,000	6,000,000	June 14, 2026
$0.05	450,000	225,000	September 30, 2031
$0.15	500,000	166,667	March 4, 2032
Total	6,950,000	6,391,667	

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

The weighted average remaining contractual life of the options outstanding at December 31, 2022, is 1.34 years (December 31, 2021 – 1.30). As at December 31, 2022, 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
9,674,163	9,674,163	$0.15	February 22, 2025
3,000,000	-	$0.20	March 9, 2025
1,855,000	1,855,000	$0.20	September 23, 2024
25,321,563	22,321,563		

The details of warrants outstanding as at December 31, 2021 are as follows:

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

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

	Number of warrants Issued	Weighted Average Exercise Price
Balance, December 31, 2021	**10,792,400**	**0.75**
Issued	14,529,163	0.17
Balance, December 31, 2022	**25,321,563**	**0.42**

(Expressed in Canadian dollars)

13. Share Capital (Continued)

c) Restricted Stock Units

The following is a summary of the Company's Restricted Stock Unit activity for the years ended December 31, 2022 and December 31, 2021:

	Number of Restricted Stock Units	
	Outstanding	**Exercisable**
Outstanding, December 31, 2020	**-**	
Granted	700,000	
Outstanding, December 31, 2021	**700,000**	**175,000**
Granted	3,250,000	
Cancelled	(700,000)	
Exercised	(1,000,000)	
Outstanding, December 31, 2022	**2,250,000**	**2,250,000**

The Company 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 a 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, 2022, 3,530,000 RSUs were outstanding 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 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.

On April 20, 2022, the Company granted 500,000 RSUs to the President and CEO of the Company and 2,750,000 RSUs to consultants of the Company with a fair value of $390,000 under the Company's RSU Plan. 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 for a period of 5 years. During the year ended December 31, 2022, the Company recognized $390,000 relating to the vested portion of the RSUs.

(Expressed in Canadian dollars)

13. Share Capital (Continued)

On July 5, 2021, the Company issued a related party of the Company 700,000 RSUs of the Company with a fair value of $630,000 under the Company's 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 year ended December 31, 2022, the Company recognized $332,945 (2021 - $297,055) relating to the vested portion of the RSUs.

On November 25, 2022, the Company cancelled 700,000 RSU's held by a related party.

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.

14. 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, 2022 and 2021:

		December 31, 2022		December 31, 2021
Professional, corporate and interest charged by a company controlled by a former director	$	266,230	$	135,770
Expenses incurred to a company with common management		296,083		22,597
Management compensation		623,317		279,905
	$	**1,185,630**	**$**	**438,272**

Included in professional fees are $109,350 (2021 – $93,620) and corporate services $143,902 (2021 - $40,950) for services by a company controlled by a former director of the Company.

During the year ended December 31, 2022, the Company recorded $439,254 (2021 - $331,764) of stock-based compensation to related parties.

At December 31, 2022, the Company owed a principal loan of $nil (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 year ended December 31, 2022, the Company accrued interest of $295 (2021 - $1,138).

As at December 31, 2022, there was $339,382 (December 31, 2021 - $117,404) included in accounts payable and accrued liabilities owing to related parties. The balances are unsecured, payable on demand and non-interest bearing.

At December 31, 2022, the Company had advanced $94,701 (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 $144,519 (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.

14. Related party transactions (Continued)

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.

On April 20, 2022, the Company has granted 500,000 RSUs to the President and CEO of the Company under the Company's RSU Plan. 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 for a period of 5 years.

On July 5, 2021, the Company issued 700,000 RSUs of the Company with a fair value of $630,000 to a related party under the Company's 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.

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.

15. 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, consideration payable, 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.

15. Financial instruments and risk management (Continued)

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, 2022, discontinued operations represented almost all of the Company's revenues and one customer represented 88% of receivables. All of the receivables at December 31, 2022 also related to discontinued operations.

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 $194,310 (December 31, 2021 – $268,460) to satisfy its current financial obligations of $2,913,209 (December 31, 2021 - $1,029,798). 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 low as December 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.

(Expressed in Canadian dollars)

16. Segmented information

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

	Canada	**U.S.**	**Total**
	$	**$**	**$**
Year ended December 31, 2022			
Revenue	-	11,303	11,303
Net loss from continuing operations	(2,979,860)	(7,693,108)	(10,672,968)
Year ended December 31, 2021			
Revenue	-	204,630	204,630
Net loss	(2,924,131)	(1,085,546)	(4,009,677)
As at December 31, 2022			
Total non-current assets	-	9,121	9,121
As at December 31, 2021			
Total non-current assets	-	7,046,677	7,046,677

17. 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:

		2022		**2021**
Loss from continuing operations before income taxes	$	(11,563,968)	$	(4,009,677)
Statutory tax rate		23.2%		25.9%
Income tax benefit computed at statutory rates		(2,681,023)		(1,040,167)
Unused tax losses and tax offsets not recognized		1,594,560		571,933
Share issuance costs		(23,240)		(31,374)
Foreign exchange		6,785		-
Items not deductible for tax		211,918		392,608
Deferred income tax recovery	$	(891,000)	$	(107,000)

The following table reflects the changes in deferred income tax liabilities for the fiscal years ended December 31, 2022 and 2021:

		2022		**2021**
Balance at beginning of the year	$	891,000	$	-
Deferred income tax liability relating to intangible asset		-		998,000
Deferred income tax recovery		(891,000)		(107,000)
Balance at end of the year	$	-	$	891,000

(Expressed in Canadian dollars)

17. Income tax (Continued)

The Company did not recognize the following deferred tax assets:

		2022		2021
Non-capital losses	$	12,492,000	$	2,611,000
Share issuance costs		70,000		93,000
Property, equipment and intangible asset costs		888,000		416,000

As at December 31, 2022, the Company has operating losses available for carry-forwards of approximately $12,492,000 (2021 - $2,611,000) available to apply against future Canadian and United States income for tax purposes that expire between 2034 and 2042.

During the year ended December 31, 2021, the Company recognized a deferred tax liability of $908,000 for the temporary differences of the license acquired from Captios acquisition (Note 3). During the year ended December 31 2022, the Company recorded an income tax recovery of $891,000 (2021 - $107,000) which reduced the deferred tax liability to $Nil (2021 - $891,000) as the temporary difference was resolved upon the impairment of the license.

18. Subsequent events

a) On January 20, 2023, the Company closed an offering of 5,000,000 units of the Company (the "Offer Units") at a price of $0.10 per Offer Unit for gross proceeds of $500,000. Each Offer Unit consisted of one common share and of one common share purchase warrant, each whole common share purchase warrant being exercisable to purchase an additional common share for a period of two years from closing at a price of $0.12

b) On January 27, 2023, the Company issued 736,842 shares of the Company in full satisfaction of a debt related to a marketing agreement (the "Debt Settlement"). Pursuant to the Debt Settlement, the Company issued 736,842 Shares at a deemed price of $0.095 per share to the creditor.

c) In February 2023, the Company terminated its agreement with E3. As part of the termination, E3 vendors have returned 16,300,000 Consideration Shares to the Company in exchange for the return of its 51% equity interest in E3. Subsequent to December 31, 2022, the Company cancelled the 16,300,000 shares returned to the Company and 3,700,000 shares have not yet been returned. Upon the termination of the acquisition agreement and relationship with E3, the Company has no equity interest in E3.

d) Subsequent to December 31, 2022, 10,792,400 warrants exercisable at $0.75 and 3,000,000 warrants exercisable at $0.20 expired unexercised.

e) Subsequent to December 31, 2022, 450,000 options exercisable at $0.24 and 500,000 options exercisable at $0.15 expired unexercised.