



SpotLite360 IOT Solutions, Inc.

CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2023 and 2022

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, Part 4 subsection 4.3 (3), if an auditor has not performed a review of the unaudited condensed interim financial statements, they must be accompanied by a notice indicating that the unaudited condensed interim financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of SpotLite360 IOT Solutions, Inc. have been prepared by and are the responsibility of management. These unaudited condensed interim financial statements for the nine months ended September 30, 2023 have not been reviewed or audited by the Company's independent auditors in accordance with standards established by the Chartered Professional Accountants of Canada.

SpotLite360 IOT Solutions, Inc.

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

| As at, | Notes | September 30, 2023 | December 31, 2022 |
|---|-------|-----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Cash | | \$ 4,427 | \$ 24,609 |
| Accounts receivable | | - | 323 |
| Inventory | | 101,400 | 101,580 |
| Prepaid expenses | 5 | 15,392 | 200 |
| Loan receivable - related party | 7 | 94,534 | 94,702 |
| Total Current Assets | | 215,753 | 221,414 |
| Non-Current Assets | | | |
| Equipment | 6 | 4,949 | 9,121 |
| Disposal group | 4 | - | 3,116,241 |
| Total Assets | | \$ 220,702 | \$ 3,346,776 |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | 11 | \$ 945,940 | \$ 761,158 |
| Loan payable – related party | 9 | 72,286 | 73,769 |
| Consideration payable | 3 | - | 311,796 |
| Disposal group | 4 | - | 1,766,486 |
| Total Current Liabilities | | 1,018,226 | 2,913,209 |
| Disposal group | 4 | - | 137,908 |
| Total Liabilities | | 1,018,226 | 3,051,117 |
| Shareholders' (Deficit) Equity | | | |
| Share capital | 10 | 15,629,289 | 15,062,271 |
| Reserves | | 2,221,568 | 2,214,902 |
| Non-controlling interest | 8 | - | 1,872,785 |
| Accumulated other comprehensive loss | | 421,486 | 420,047 |
| Deficit | | (19,069,867) | (19,274,346) |
| Total Shareholders' (Deficit) Equity | | (797,524) | 295,659 |
| Total Liabilities and Shareholders' (Deficit) Equity | | \$ 220,702 | \$ 3,346,776 |

Approved and authorized by the Board on November 29, 2023.

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

"Gene McConnell" (signed)
Gene McConnell, Director

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

SpotLite360 IOT Solutions, Inc.

Condensed Interim Consolidated Statements of Income (Loss)

For the three and nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

| | Notes | Three Months Ended | | Nine Months Ended | |
|---|-------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| Revenue | | \$ - | \$ 36,321 | \$ - | \$ 47,367 |
| Cost of sales | | - | - | - | (32,662) |
| Gross profit | | - | 36,321 | - | 14,705 |
| Expenses | | | | | |
| Amortization | 6 | \$ 1,374 | \$ - | \$ 4,136 | \$ 439,270 |
| Consulting fees and marketing | 11 | 64,625 | 79,628 | 256,217 | 583,963 |
| Filing fees and corporate services | | 13,711 | 27,865 | 70,322 | 156,642 |
| Foreign exchange | | 313 | (3,248) | 1,589 | 38,192 |
| Office expenses | | 27,735 | 27,567 | 109,964 | 119,395 |
| Professional fees | | 12,652 | 32,952 | 167,632 | 201,194 |
| Rent | | 6,918 | 16,564 | 19,088 | 16,621 |
| Salaries | | 66,702 | 19,986 | 213,897 | 367,228 |
| Share-based compensation | 10,11 | - | 233,427 | - | 650,577 |
| Total expenses | | \$ (194,030) | \$(434,741) | \$ (842,845) | \$ (2,573,082) |
| Loss before other items for the year | | \$ (194,030) | \$ (398,420) | \$ (842,845) | \$ (2,558,377) |
| Gain on loss of control of subsidiary | 3 | - | - | 660,938 | - |
| Gain on settlement of debt | 3 | (220) | - | 412,820 | - |
| Impairment of intangible asset | | - | (1,463,590) | - | (1,463,590) |
| Interest expense | | - | (9,077) | - | (12,531) |
| Loss on settlement of debt | 10 | - | - | (26,434) | - |
| Transaction costs | 3 | - | - | - | (184,875) |
| Net income (loss) from continuing operations, net of tax | | \$ (194,250) | \$(1,871,087) | \$ 204,479 | \$ (4,219,373) |
| Gain from discontinued operations | 4 | - | 585,298 | - | 1,862,750 |
| Net income (loss) | | \$ (194,250) | \$(1,285,789) | \$ 204,479 | \$ (2,356,623) |
| Net income (loss) attributable to: | | | | | |
| Non-controlling interests in discontinued operations | | \$ - | \$ (386,495) | \$ - | \$ 682,265 |
| Shareholders of SpotLite360 IOT Solutions, Inc.: | | | | | |
| - Continuing operations | | (194,250) | (1,484,592) | 204,479 | (4,901,638) |
| - Discontinued operations | | - | 585,298 | - | 1,862,750 |
| | | (194,250) | (899,294) | 204,479 | (3,038,888) |
| Net income (loss) | | \$ (194,250) | \$(1,285,789) | \$ 204,479 | \$ (2,356,623) |
| Net income (loss) per share attributable to Shareholders of SpotLite360 IOT Solutions, Inc.: | | | | | |
| Basic and diluted income (loss) from continuing operations | 10 | (0.00) | (0.02) | 0.00 | (0.05) |
| Basic and diluted income (loss) from discontinued operations | 10 | - | 0.01 | - | 0.02 |
| Basic and diluted total income (loss) per share | | (0.00) | (0.01) | 0.00 | (0.03) |
| Weighted average number of common shares outstanding | 10 | 101,939,817 | 102,517,242 | 107,144,201 | 89,600,000 |

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

SpotLite360 IOT Solutions, Inc.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

For the three and nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| Net Income (Loss) | \$ (194,250) | \$(1,285,789) | \$ 204,479 | \$(2,356,623) |
| Other comprehensive income (loss) | | | | |
| Exchange differences on translation of foreign operations from continuing operations | (8,876) | 304,715 | 1,439 | 685,264 |
| Exchange differences on translation of foreign operations from discontinued operations | - | 401,778 | - | 378,918 |
| Total other comprehensive income (loss) | \$ (203,126) | \$(579,296) | \$ 205,918 | \$(1,292,441) |
| Total comprehensive loss attributable to: | | | | |
| Non-controlling interests | - | (386,495) | - | 682,265 |
| Shareholders of SpotLite360 IOT Solutions, Inc.: | | | | |
| - Continuing operations | (203,126) | (1,179,877) | 205,918 | (4,216,374) |
| - Discontinued operations | - | 987,076 | - | 2,241,668 |
| Total comprehensive income (loss) | (203,126) | \$(579,296) | 205,918 | \$(1,292,441) |

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

SpotLite360 IOT Solutions, Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

| | Share Capital | | Reserves | Accumulated Other Comprehensive Loss | Non- controlling interest | Deficit | Total |
|---|-------------------------------|----------------------|---------------------|---|---------------------------------|------------------------|----------------------|
| | Number of Common Shares | Amount | | | | | |
| 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 | - | - | 1,273,753 | - | 3,038,721 |
| Transaction costs | 1,320,525 | 184,875 | - | - | - | - | 184,875 |
| Shares issued for BTDD | 1,000,000 | 95,000 | - | - | - | - | 95,000 |
| Shares issued for RETI | 13,250,000 | 1,258,750 | - | - | - | - | 1,258,750 |
| Shares issued upon the exercise of options | 2,900,000 | 519,056 | (374,056) | - | - | - | 145,000 |
| Share-based compensation | - | - | 650,577 | - | - | - | 650,577 |
| Dividend to non-controlling interests | - | - | - | - | (334,876) | - | (334,876) |
| Foreign currency translation adjustment | - | - | - | 1,064,182 | - | - | 1,064,182 |
| Net loss for the period | - | - | - | - | 682,265 | (3,038,888) | (2,356,623) |
| Balance at September 30, 2022 | 114,424,851 | \$ 14,880,226 | \$ 2,216,225 | \$ 1,044,217 | \$ 1,621,142 | \$ (8,221,563) | \$ 11,540,247 |
| Balance at December 31, 2022 | 116,077,975 | \$ 15,062,271 | \$ 2,214,902 | \$ 420,047 | \$ 1,872,785 | \$ (19,274,346) | \$ 295,659 |
| Shares issued – Private placements | 5,000,000 | 500,000 | - | - | - | - | 500,000 |
| Non-cash share issuance cost | - | (6,666) | 6,666 | - | - | - | - |
| Return and cancellation of shares | (19,875,000) | - | - | - | - | - | - |
| Shares issued to settle debt | 736,842 | 73,684 | - | - | - | - | 73,684 |
| Derecognition of non-controlling interests due to loss of control of E3 | - | - | - | - | (1,872,785) | - | (1,872,785) |
| Foreign currency translation adjustment | - | - | - | 1,439 | - | - | 1,439 |
| Net income for the period | - | - | - | - | - | 204,479 | 204,479 |
| Balance at September 30, 2023 | 101,939,817 | \$ 15,629,289 | \$ 2,221,568 | \$ 421,486 | \$ - | \$ (19,069,867) | \$ (797,524) |

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

SpotLite360 IOT Solutions, Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

| | Nine months ended | |
|--|-----------------------|-----------------------|
| | September 30, 2023 | September 30, 2022 |
| Operating activities | | |
| Net income (loss) for the period | \$ 204,479 | \$ (2,356,623) |
| Non-cash interest expense | - | 9,049 |
| Amortization | 4,136 | 1,109,695 |
| Foreign exchange | - | 20,693 |
| Gain on settlement of debt | (412,820) | - |
| Gain on loss on control of subsidiary | (660,938) | - |
| Impairment of intangible assets | - | 1,463,590 |
| Loss on settlement of debt | 26,434 | - |
| Share-based compensation | - | 650,577 |
| Non-cash transaction costs | - | 184,875 |
| Changes in non-cash working capital items: | | |
| Accounts receivable | 323 | (510,867) |
| Deferred revenue | - | (1,372,756) |
| Inventory | - | (102,803) |
| Prepaid expenses | (15,192) | 732,525 |
| Accounts payable and accrued liabilities | 333,276 | 200,537 |
| Net cash flows used in operating activities | \$ (520,302) | \$ 28,492 |
| Investing activities | | |
| Purchase of equipment | \$ - | \$ (360,769) |
| Additions of internally developed intangible assets | - | (325,970) |
| Cash disposed of on loss of control of E3 | (169,701) | - |
| Cash paid to acquire BTDD | - | (68,500) |
| Cash acquired from acquisition of BTDD | - | 5,748 |
| Cash paid to acquire E3 | - | (983,139) |
| Cash acquired from acquisition of E3 | - | 268,369 |
| Net cash used in investing activities | \$ (169,701) | \$ (1,464,261) |
| Financing activities | | |
| Proceeds from exercise of stock options | \$ - | \$ 145,000 |
| Lease payments | - | (34,169) |
| Dividends paid to non-controlling interest | - | (334,876) |
| Proceeds from notes payable | - | 37,648 |
| Repayment of note payable | (1,348) | (17,338) |
| Net proceeds from issuance of shares – private placement | 500,000 | 1,964,833 |
| Net cash received from financing activities | \$ 498,652 | \$ 1,761,098 |
| Foreign exchange on cash | 1,468 | 81,481 |
| Change in cash | (189,883) | 406,810 |
| Cash, beginning of the year | 194,310 | 268,460 |
| Cash, end of the year | \$ 4,427 | \$ 675,270 |
| Other supplementary information: | | |
| Interest paid | \$ - | \$ - |
| Taxes paid | - | - |
| Fair value of shares issued to acquire RETI | - | 1,258,750 |
| Fair value of shares issued to acquire BTDD | - | 95,000 |
| Fair value of shares issued to acquire E3 | - | 1,764,968 |

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

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

1. Nature and going concern

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

Effective June 4, 2021, the Company changed its name from 1014379 B.C. Ltd. to Spotlite360 Technologies Inc. Effective August 24, 2021, the Company changed its name from Spotlite360 Technologies Inc. to SpotLite360 IOT Solutions Inc. The Company’s principal address, records office and registered address are located at 1890 - 1075 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3C9.

These condensed interim 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 September 30, 2023, the Company has a working capital deficit of \$802,473 (December 31, 2022 – \$2,691,795) and for the period ended September 30, 2023, the Company incurred a net income of \$204,479 (2022 – net loss \$2,356,623). 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.

2. Statement of compliance and significant accounting policies

These unaudited condensed interim consolidated financial statements were authorized for issue on November 29, 2023 by the directors of the Company.

Statement of compliance

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

These unaudited interim consolidated financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2022.

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies have been applied consistently to all periods presented.

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

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

Basis of presentation

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Control occurs when the Company is exposed to, or has the right to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. All inter-company transactions and balances have been eliminated in the consolidated financial statement presentation. Details of controlled entities are as follows:

| Name | Jurisdiction of incorporation | September 30, 2023 | December 31, 2022 |
|-------------------------------|-------------------------------|--------------------|-------------------|
| Captios, LLC | US | 100% | 100% |
| E3 Service Group, LLC. | US | 0% | 51% |
| Reti Capital Corp. (Inactive) | US | 100% | 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.

On January 13, 2023, the Company lost control of E3, and in February 2023, the Company terminated its agreement and relationship with E3. As a result of the loss of control, the Company derecognized all assets and liabilities at their book values on January 13, 2023 (Note 3), and E3's results have been classified as discontinued operations (Note 4).

Significant accounting judgments, estimates and assumptions

In preparing these condensed interim consolidated financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited condensed interim consolidated financial statements for the year ended December 31, 2022.

Loss of control of subsidiary

On January 13, 2023, the Company failed to make the remaining payment owed (Note 3) for the acquisition of its 51% owned subsidiary, E3 Service Group, LLC. ("E3"). Management concluded that the Company ceased to have the power to direct the relevant activity of E3 on this date. As a result, the Company accounted for a loss in control and E3 was deconsolidated on January 13, 2023 (Note 3).

New standards adopted

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

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

3. Acquisitions

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 on January 13, 2023, as described below. 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. During the year ended December 31, 2022, \$334,876 (US \$269,790) of the US \$500,000 was paid via the application of the Company’s portion of a dividend declared by E3 as discussed in Note 8. The Company failed to pay the remaining \$311,796 (US \$230,210).;
- Issue 20,000,000 common shares with a fair value of \$1,764,968 (“Consideration Shares”) (Issued).

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”). None of the 3,000,000 Warrants vested and the Warrants were cancelled during the nine months ended September 30, 2023.

In connection with the closing of the acquisition, the Company issued 1,320,525 common shares with a fair value of \$184,875 as a finder’s fee, 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.

| | |
|---|------------------|
| 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 |
| Prepays | 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 8) | 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.

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

3. Acquisitions (Continued)

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%. At December 31, 2022, 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.

Loss of control of E3

On January 13, 2023, the Company determined that it no longer controlled E3 as a result of the failure to make the remaining acquisition payment. As a result of the loss of control, the Company derecognized all assets and liabilities at their book values on January 13, 2023 and wrote down all balances receivable from the entity to \$nil. During the period ended September 30, 2023, the Company recorded a gain on loss of control of E3 of \$660,938, which included \$169,701 of cash held by E3.

The assets, liabilities and gain on loss of control of E3 after deconsolidation are presented below:

| | \$ |
|--|---------------------|
| Assets | |
| Cash | \$ 169,701 |
| Accounts receivable | 1,992,219 |
| Prepaid expenses | 247,354 |
| ROU asset | 185,654 |
| Equipment | 521,313 |
| Total Assets | 3,116,241 |
| Liabilities | |
| Accounts payable | \$ 1,424,886 |
| Loans payable | 75,846 |
| Deferred revenue | 205,114 |
| ROU liability | 60,640 |
| Current liabilities | \$ 1,766,486 |
| ROU Liability LT | 137,908 |
| Total Liabilities | 1,904,394 |
| Total | 1,211,847 |
| Non-controlling interest | (1,872,785) |
| Gain on loss of control of subsidiary | (660,938) |

In February 2023, the Company entered into a settlement and release agreement. As part of the settlement and release agreement, E3 members have agreed to return the Consideration Shares to the Company for cancellation in exchange for the return of its 51% equity interest in E3. Upon the entering into the settlement and release agreement the Company terminated its relationship with E3 and the Company has no equity interest in E3.

As part of the settlement and release agreement, the Company agreed to pay \$47,508 of accrued salaries. An additional \$148,752 of accrued salaries payable as well as the remaining consideration owing as part of the purchase agreement of E3 of \$311,796 was forgiven. Upon making the required payments and the settlement of the liabilities the Company recorded a gain on settlement of debt of \$412,820.

On February 3, 2023, 11,687,500 shares were returned, on May 12, 2023, an additional 4,612,500 shares were returned, and on June 1, 2023, an additional 3,575,000 shares were returned. All of the shares returned were cancelled. In accordance with IAS 32, the Company valued the returned shares at the cost paid to acquire them which was \$Nil and the Company did not record a gain or loss on the repurchase of its own common shares.

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

3. Acquisitions (Continued)

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.

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.

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.

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 | |
|--|-----------------------|----------------------|
| | September 30, 2023 | December 31, 2022 |
| 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 |

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

4. Discontinued Operations (Continued)

The net loss from discontinued operations for the three and nine months ended September 30, 2023, and 2022 are presented below:

| | Three months Ended | | Nine months Ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| Revenue | \$ - | \$ 4,162,667 | \$ - | \$ 13,851,607 |
| Cost of sales | - | (2,278,593) | - | (9,803,429) |
| Gross margin | - | 1,884,074 | - | 4,048,178 |
| Expenses | | | | |
| Amortization | \$ - | \$ 447,353 | \$ - | \$ 670,425 |
| Consulting fees and marketing | - | 90,269 | - | 123,037 |
| Office expenses | - | 363,372 | - | 670,425 |
| Professional fees | - | (1,911) | - | - |
| Salaries | - | 399,693 | - | 721,541 |
| Total expenses | \$ - | \$ 1,298,776 | \$ - | \$ 2,185,428 |
| Net income from discontinued operations | \$ - | \$ 585,298 | \$ - | \$ 1,862,750 |

The consolidated statements of cash flows for the nine months ended September 30, 2022 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 nine months ended September 30, 2023 and 2022 are presented in the following table:

| | Nine months ended | |
|---|-----------------------|-----------------------|
| | September 30, 2023 | September 30, 2022 |
| Cash flows from operating activities | \$ - | \$ 332,102 |
| Cash flows used in financing activities | - | (224,731) |
| Cash flows from investing activities | - | - |
| Net effects of currency exchange rate on cash | - | (12,359) |
| Cash flows during the period | \$ - | \$ 95,012 |

5. Prepaid Expenses

| | September 30, 2023 | December 31, 2022 |
|-----------------|-----------------------|----------------------|
| | \$ | \$ |
| Office expenses | 15,392 | 200 |
| Total | 15,392 | 200 |

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

6. Equipment

| | Computer Equipment \$ |
|------------------------------------|--------------------------|
| Cost | |
| Balance, December 31, 2021 | 15,588 |
| Foreign exchange | 1,065 |
| Balance, December 31, 2022 | 16,653 |
| Foreign exchange | (30) |
| Balance, September 30, 2023 | 16,623 |
| Accumulated amortization | |
| Balance, December 31, 2021 | (1,784) |
| Amortization | (5,405) |
| Foreign exchange | (343) |
| Balance, December 31, 2022 | (7,532) |
| Amortization | (4,136) |
| Foreign exchange | (6) |
| Balance, September 30, 2023 | (11,674) |
| Net book values | |
| December 31, 2022 | 9,121 |
| September 30, 2023 | 4,949 |

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.

7. Loans Receivable – Related Party

At September 30, 2023, the Company had advanced \$94,534 (December 31, 2022 - \$94,702) to TrackX Holdings, Inc. (“TrackX”) a related company through common management. The loan is non-interest-bearing and due on demand.

8. Non-Controlling Interest

The Company held a 51% interest in E3 during the year ended December 31, 2022. During the nine months ended September 30, 2023 the Company lost control of 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. The summarized statements of financial position for E3 are as follows:

| | At | |
|---------------------------|-----------------------|----------------------|
| | September 30, 2023 | December 31, 2022 |
| Total current assets | \$ - | \$ 2,409,274 |
| Non-current assets | - | 706,967 |
| Total current liabilities | - | (1,766,486) |
| Non-current liabilities | - | (137,908) |

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

8. Non-Controlling Interest (Continued)

Summarized statement of operations of E3:

| | Three months Ended | | Nine months Ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| Revenue | \$ - | \$ 4,162,667 | \$ - | \$ 13,851,607 |
| Cost of sales | - | (2,278,593) | - | (9,803,429) |
| Amortization | - | (447,353) | - | (670,425) |
| Administrative expenses | - | (851,423) | - | (1,515,003) |
| Net income and comprehensive income | \$ - | \$ 585,298 | \$ - | \$ 1,862,750 |

The cash flows of the subsidiary are as follows:

| | Nine months ended | |
|---|-----------------------|-----------------------|
| | September 30, 2023 | September 30, 2022 |
| Cash flows from operating activities | \$ - | \$ 332,102 |
| Cash flows used in financing activities | - | (224,731) |
| Cash flows from investing activities | - | - |
| Net effects of currency exchange rate on cash | - | (12,359) |
| Cash flows generated during the year | \$ - | \$ 95,012 |

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 |
| Loss of control of subsidiary | (1,872,785) |
| Balance, September 30, 2023 | - |

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

9. Loans Payable

At September 30, 2023, the Company owed a principal loan of \$72,286 (USD\$56,000) to an unrelated party (December 31, 2022 - \$73,769). The loan is unsecured, non-interest bearing and due on demand.

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

10. Share Capital

Authorized share capital

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value

Shares issued during the nine months ended September 30, 2023:

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, exercisable to purchase an additional common share for a period of two years from closing at a price of \$0.12. In connection with the private placement, the Company issued 120,000 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 \$6,666 with the following assumptions: stock price - \$0.10; exercise price - \$0.12; expected life - 2 years; volatility - 114%; dividend yield - Nil; and risk-free rate - 3.59%.

On January 27, 2023, the Company issued 736,842 shares of the Company with a fair value of \$73,684 to settle \$47,250 of debt. The Company recorded a loss on settlement of debt of \$26,434.

As described in Note 3, on February 3, 2023, May 12, 2023 and June 1, 2023, 11,687,500, 4,612,500 and 3,575,000 shares issued as part of the acquisition of E3 were returned and cancelled.

Shares issued during the nine months ended September 30, 2022:

During the nine months ended September 30, 2022, the Company issued 2,900,000 common shares pursuant to option exercises for gross proceeds of \$145,000. The Company transferred \$374,056 from reserves to share capital.

On February 22, 2022, the Company completed a non-brokered private placement of 17,640,725 units at a price of \$0.10 per share, for gross proceeds of \$1,764,073. Each unit consists of one common share of the Company and one-half of one transferable share purchase warrant (with two half warrants being a "Warrant"). Each whole Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.15 per share for a period of three years. In connection with the private placement, the Company paid finder's fees consisting of \$85,380 cash commission, \$53,360 in accounting and legal fees and 853,800 finder warrants with the same terms as the Warrants described above. The fair value of the finder warrant was measured using the Black-Scholes option pricing model with a fair value of \$93,829 with the following assumptions: stock price - \$0.17; exercise price - \$0.15; expected life - 3 years; volatility - 100%; dividend yield - Nil; and risk-free rate - 1.61%.

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

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

10. 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 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 3).

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).

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.

No stock options were issued during the nine months ended September 30, 2023.

Stock options issued during the nine months ended September 30, 2022:

On March 4, 2022, the Company granted an aggregate of 500,000 stock options to an officer. Each option is exercisable to acquire one common share of the Company at the price of \$0.15 per share for a period of ten years from grant. An initial 71,500 Options vest immediately, and the remaining options will vest in five equal tranches every six-month period thereafter. The total grant date fair value of the options was measured at \$67,343. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: Stock price - \$0.15; exercise price - \$0.15; expected life – 10 years; volatility – 100%; dividend yield – \$0; and risk-free rate – 2.16%. The options expired unexercised during the period ended September 30, 2023, and the Company recognized share-based compensation of \$Nil (2022 - \$38,193).

The following is a summary of the Company’s option activity for the nine months ended September 30, 2023 and year ended December 31, 2022:

| | Number of Options |
|--|--------------------------|
| Outstanding, December 31, 2021 | 9,350,000 |
| Granted | 500,000 |
| Exercised | (2,900,000) |
| Outstanding, December 31, 2022 | 6,950,000 |
| Expired | (950,000) |
| Outstanding, September 30, 2023 | 6,000,000 |

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

10. Share Capital (Continued)

During the the nine months ended September 30, 2023, no stock options were exercised (2022 - 2,900,000). The weighted average share price for options exercised during the period ended September 30, 2022 was \$0.05. The weighted average remaining contractual life of the options outstanding at September 30, 2023, is 2.96 years (December 31, 2022 – 4.63) and the details of options outstanding as at September 30, 2023 are as follows:

| Exercise price | Options outstanding | Options exercisable | Expiry date |
|----------------|---------------------|---------------------|---------------|
| \$0.25 | 6,000,000 | 6,000,000 | June 14, 2026 |

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 | |

b) Warrants

The weighted average remaining contractual life of the warrants outstanding at September 30, 2023, is 1.33 years (December 31, 2022 – 1.34). As at September 30, 2023, 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 |
|---------------------------|--------------------------------|----------------|--------------------|
| 9,674,163 | 9,674,163 | \$0.15 | February 22, 2025 |
| 1,855,000 | 1,855,000 | \$0.20 | September 23, 2024 |
| 5,120,000 | 5,120,000 | \$0.12 | January 20, 2025 |
| 16,649,163 | 16,649,163 | | |

The details of warrants outstanding as at December 31, 2022 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 |
| 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 | | |

A summary of the status of the Company's warrants for the nine months ended September 30, 2023 and year ended December 31, 2022:

| | 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 |
| Expired | (13,792,400) | 0.63 |
| Issued | 5,120,000 | 0.12 |
| Balance, September 30, 2023 | 16,649,163 | 0.58 |

SpotLite360 IOT Solutions, Inc.

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For the nine months ended September 30, 2023 and 2022

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10. Share Capital (Continued)

c) Restricted Stock Units

The following is a summary of the Company's Restricted Stock Unit activity for the nine months ended September 30, 2023 and year ended December 31, 2022:

| | Number of Restricted Stock Units | |
|--|----------------------------------|------------------|
| | Outstanding | Exercisable |
| Outstanding, December 31, 2021 | 700,000 | 175,000 |
| Granted | 3,250,000 | |
| Cancelled | (700,000) | |
| Exercised | (1,000,000) | |
| Outstanding, December 31, 2022 and September 30, 2023 | 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.

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 has granted 500,000 RSUs to the President and CEO of the Company and 2,750,000 RSUs to consultants 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.

During the period ended September 30, 2023, the Company recognized \$Nil (2022 - \$70,167) relating to the vested portion of the RSUs.

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Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

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10. Share Capital (Continued)

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.

Net income per share

| | Three months ended | | Nine months ended | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| | \$ | \$ | \$ | \$ |
| Net income (loss) attributable to common shareholders from continuing operations | (194,250) | (1,871,087) | 204,479 | (4,219,373) |
| Net income (loss) attributable to common shareholders from discontinued operations | - | 585,298 | - | 1,862,750 |
| Total income (loss) for the year attributable to common shareholders for basic earnings and diluted earnings per share | (194,250) | (1,285,789) | 204,479 | (2,356,623) |
| Basic weighted average number of common shares outstanding | 101,939,817 | 102,517,242 | 107,144,201 | 89,600,000 |
| Effect of dilutive securities: | | | | |
| Stock options | - | - | - | - |
| Warrants | - | - | - | - |
| Diluted weighted average number of common shares outstanding | 101,939,817 | 102,517,242 | 107,144,201 | 89,600,000 |
| Basic net income (loss) per common share from continuing operations | (0.00) | (0.02) | 0.00 | (0.05) |
| Diluted income (loss) per common share from continuing operations | (0.00) | (0.02) | 0.00 | (0.05) |
| Basic net income (loss) per common share from discontinued operations | - | 0.01 | - | 0.02 |
| Diluted income (loss) per common share from discontinued operations | - | 0.01 | - | 0.02 |
| Basic and diluted total loss per share | (0.00) | (0.01) | 0.00 | (0.03) |

11. Related party transactions

The Company considers its related parties to comprise directors, officers, companies controlled by directors and officers and companies with common directors. The key management compensation and fees consist of the following for the periods ended September 30, 2023 and 2022:

| | September 30, 2023 | September 30, 2022 |
|---|-----------------------|-----------------------|
| Expenses incurred to a company with common management | \$ - | \$ 300,464 |
| Management compensation | 385,442 | 236,965 |
| | \$ 385,442 | \$ 537,429 |

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

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11. Related party transactions (Continued)

As at September 30, 2023, there was \$526,206 (December 31, 2022 - \$339,382) included in accounts payable and accrued liabilities owing to related parties. The balances are unsecured, payable on demand and non-interest bearing.

At September 30, 2023, the Company had advanced \$94,534 (December 31, 2022 - \$94,702) to TrackX a related company through common management. The loan was non-interest-bearing and due on demand. These amounts are non-interest bearing and due on demand.

On March 4, 2022, the Company granted an aggregate of 500,000 stock options to an officer with a fair value of \$67,313. Each option is exercisable to acquire one common share of the Company at the price of \$0.15 per share for a period of ten years from grant. An initial 71,500 Options vest immediately, and the remaining options will vest in five equal tranches every six month period thereafter.

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.

12. Financial instruments and risk management

The Company's financial instruments consist of cash, accounts receivable, loan receivable, accounts payable and accrued liabilities, 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.

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

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

Credit risk

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

Amounts receivable consists of trade receivables. To reduce the credit risk of amounts receivable, the Company regularly reviews the collectability of the amounts receivable to ensure there is no indication that these amounts will not be fully recoverable.

SpotLite360 IOT Solutions, Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2023 and 2022

(Unaudited - Expressed in Canadian dollars)

12. Financial instruments and risk management (Continued)

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 \$4,427 (December 31, 2022 – \$24,609) to satisfy its current financial obligations of \$1,018,226 (December 31, 2022 - \$2,913,209). 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 September 30, 2023.

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, 2022.

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(Unaudited - Expressed in Canadian dollars)

13. Segmented information

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

| | Canada | U.S. | Total |
|---------------------------------------|---------------|-------------|--------------|
| | \$ | \$ | \$ |
| Three months ended September 30, 2023 | | | |
| Revenue | - | - | - |
| Net income (loss) | (121,184) | (73,066) | (194,250) |
| Three months ended September 30, 2022 | | | |
| Revenue | - | 36,321 | 36,321 |
| Net loss | (362,210) | (923,579) | (1,285,789) |
| Nine months ended September 30, 2023 | | | |
| Revenue | - | 47,367 | 47,367 |
| Net income (loss) | 644,986 | (440,507) | 204,479 |
| Nine months ended September 30, 2022 | | | |
| Revenue | - | - | - |
| Net loss | (1,535,219) | (821,404) | (2,356,623) |
| As at September 30, 2023 | | | |
| Total non-current assets | - | 4,949 | 4,949 |
| As at December 31, 2022 | | | |
| Total non-current assets | - | 9,121 | 9,121 |