

**Xigem Technologies Corporation**  
**Business Acquisition Report**  
**Form 51-102F4**

**Item 1 Identity of Company**

**1.1 Name and Address of Company**

Xigem Technologies Corporation (the “Company”)  
2704-401 Bay Street, Box 4  
Toronto, Ontario  
M5H 2Y4

**1.2 Executive Officer**

Brian Kalish  
Chief Executive Officer  
(647) 250-9824

**Item 2 Details of Acquisition**

**2.1 Nature of Business Acquired**

The Company acquired substantially all of the assets of 2747524 Ontario Inc. o/a Cylix Data Group (“CDG”). The primary asset acquired is CDG’s cloud-based platform for business risk profiling. CDG is a B2B business intelligence technology company whose software improves efficiency and increases productivity for business professionals through the supply of information required to implement risk-management and decision-making processes. CDG’s cloud-based platform automates the process of due diligence searches, document creation and electronic records filing for financial risk management, daily workflow processes, information services, and customer profile transactions. CDG was incorporated in Ontario and has been in operation for several years.

**2.2 Acquisition Date**

The Company completed the acquisition on January 24, 2022.

**2.3 Consideration**

The Company acquired substantially all of the assets of CDG valued at \$32,350,000 CAD (the “Acquisition”). As consideration for the Acquisition, the Company issued 64,700,000 units (“Units”) at a deemed price of \$0.50 per Unit, with each Unit comprised of one common share of the Company (“Common Shares”) and one-seventh (1/7) of one Common Share purchase warrant (each whole warrant, a “Warrant”). Each Warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.60 for a period of 24 months. The securities issued as consideration for the Acquisition are subject to contractual restrictions on trading, such that: (i) 50% may not be traded until the later of six (6) months after the closing of the Acquisition and the Company’s filing of this business acquisition report (the “BAR Filing”); and (ii) 50% may not be traded until the later of 12 months after the closing of the Acquisition (as defined below) and the BAR Filing.

## **2.4 Effect on Financial Position**

Upon completion of the Acquisition, the Company appointed Mr. Ezio D’Onofrio to its Board of Directors as a nominee of CDG and may appoint an observer to its Board of Directors at a future date. In addition, the Company and an entity controlled by one of the principals of CDG (the “**Manager**”) entered into a management agreement under which the Manager will: (i) fund \$500,000 towards completion and commercialization of CDG technology; (ii) fund additional development costs associated with CDG technology until the earlier of CDG meeting certain financial milestones or the Company completing a subsequent financing; and (iii) manage the operations of the CDG business on behalf of the Company.

Other than otherwise disclosed above the Company does not presently have any plans or proposals for material changes in its business affairs or the business affairs of CDG, which may have a significant effect on the financial performance and financial position of the Company.

## **2.5 Prior Valuations**

To the knowledge of the Company, there has not been any valuation opinion obtained within the last 12 months by the Company or CDG required by securities legislation or a Canadian exchange or market to support the consideration paid by the Company or any of its subsidiaries in connection with the acquisition.

## **2.6 Parties to Transaction**

This Acquisition was not a transaction with an informed person, associate, or affiliate of the Company as defined under National Instrument 51-102 *Continuous Disclosure Obligations*.

## **2.7 Date of Report**

April 8, 2022.

## **Item 3 Financial Statements and Other Information**

The following financial statements are included as part of this Business Acquisition Report:

1. Carve-out financial statements of 2747524 Ontario Inc. Operations of Cylix Data as at December 31, 2021 and 2020 and for the years ended December 31, 2021 and 2020; and
2. Pro Forma Consolidated Financial Statements of Xigem Technologies Corporation as at December 31, 2021.

## **Forward-looking Information**

*Certain statements in this business acquisition report may include forward-looking statements which are typically identified by words such as “believe”, “expect”, “anticipate”, “intend”, “estimate”, “plan”, “will”, “should”, “may”, “could” and other similar expressions. Specifically, such forward-looking statements in this business acquisition report include, but are not limited to, statements with respect to the following: the appointment of an observer to its Board of Directors at a future date; future funding towards completion and commercialization of CDG technology; CDG meeting certain financial milestones; and the Company completing a subsequent financing. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to be materially different from any future results, performance or achievements contemplated in the forward-looking statements.*

*Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is based on assumptions made in good faith and believed to have a reasonable basis. Such assumptions include: the Manager having sufficient capital to provide the funding towards the completion and commercialization of CDG technology on such terms as are currently anticipated or at all; and the ability of the Company to complete a subsequent financing.*

*Factors that could cause future results or events to differ materially from current expectations expressed or implied by the forward-looking statements include: general business, economic, competitive, political and social uncertainties; the state of capital markets; unexpected increases in operating costs of the Manager which may impact the ability of the Manager to fund the commercialization of the CDG technology; the inability of the Company to raise sufficient funds and/or retain necessary personnel to conduct its operations; failure to realize the anticipated benefits of the transaction described herein; other unforeseen events, developments, or factors causing any of the aforesaid expectations, assumptions, and other factors ultimately being inaccurate or irrelevant; and any risks associated with the ongoing COVID-19 pandemic.*

*You can find further information with respect to these and other risks in filings made with the Canadian securities regulatory authorities that are available on the Company's SEDAR profile page at [www.sedar.com](http://www.sedar.com). The Company disclaims any obligation to update or revise these forward-looking statements, except as required by applicable law.*

**SCHEDULE "A"**

**2747524 Ontario Inc.  
Operations of Cylix Data**

**Carve-Out Financial Statements**

As at December 31, 2021 and 2020  
and for the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

# 2747524 Ontario Inc. Operations of Cylix Data



As at December 31, 2021 and 2020  
and for the years ended December 31, 2021 and 2020

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Xigem Technologies Corporation

### **Opinion**

We have audited the carve-out financial statements of the Operations of Cylix Data ("Cylix"), which comprise the carve-out statements of financial position as at December 31, 2021, and the carve-out statements of net income and comprehensive income, changes in equity and cash flows for the years ended, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the financial position of Cylix as at December 31, 2021, and its financial performance and its cash flows for the years ended December 31, 2021 in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Carve-Out Financial Statements* section of our report. We are independent of Cylix in accordance with the ethical requirements that are relevant to our audit of the carve-out financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Information Other than Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the annual 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 carve-out 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 carve-out financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained the Management's Discussion and Analysis prior to the date of this auditor's report.

## **Responsibilities of Management and Those Charged with Governance for the Carve-Out Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Carve-Out Financial Statements**

Our objectives are to obtain reasonable assurance about whether the carve-out 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 generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out 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 Cylix'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 Cylix'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 carve-out 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 Cylix to cease to continue as a going concern.



**Auditor's Responsibilities for the Audit of the Carve-Out Financial Statements (Cont'd)**

- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out 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.

*Disimino & Mazza LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Vaughan, Ontario  
April 4, 2022

# 2747524 Ontario Inc. Operations of Cylix Data



Carve-out Statements of Financial Position  
As at December 31, 2021 and 2020

	Note	December 31, 2021	December 31, 2020
		\$	(Unaudited) \$
<b>ASSETS</b>			
Intangible assets	6	9,844,021	9,500,000
		<b>9,844,021</b>	<b>9,500,000</b>
<b>EQUITY</b>			
Owner's equity		9,844,021	9,500,000
		<b>9,844,021</b>	<b>9,500,000</b>
Contingencies and commitments	8		
Subsequent events	10		

*Approved on behalf of the Board:*

\_\_\_\_\_  
Director

The accompanying notes are an integral part of and should be read in conjunction with these audited carve-out financial statements.

# 2747524 Ontario Inc. Operations of Cylix Data



Carve-out Statements of Net Income and Comprehensive Income  
For the years ended December 31, 2021 and 2020

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	2021	2020
	\$	\$
<b>REVENUES</b>	<b>619,566</b>	1,875,283
	<b>619,566</b>	1,875,283
<b>COST OF SALES</b>	<b>57,024</b>	244,946
	<b>57,024</b>	244,946
<b>EXPENSES</b>		
Consulting fees	<b>155,462</b>	142,928
Development costs	<b>34,905</b>	51,000
Salaries and wages	<b>107,765</b>	75,000
Information technology services	<b>23,787</b>	20,378
	<b>321,919</b>	289,306
<b>Net income and comprehensive income</b>	<b>240,623</b>	1,341,031

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The accompanying notes are an integral part of and should be read in conjunction with these audited carve-out financial statements.

# 2747524 Ontario Inc. Operations of Cylix Data



Carve-out Statements of Changes in Equity  
For the years ended December 31, 2021 and 2020

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	Total owner's equity
	\$
Balance, as at January 1, 2020	9,500,000
Net income and comprehensive income	1,341,031
Change in owner's withdrawal	(1,341,031)
Balance, as at December 31, 2020	9,500,000
Net income and comprehensive income	240,623
Change in owner's contribution	103,398
<b>Balance, as at December 31, 2021</b>	<b>9,844,021</b>

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*The accompanying notes are an integral part of and should be read in conjunction with these audited carve-out financial statements.*

# 2747524 Ontario Inc. Operations of Cylix Data



Carve-out Statements of Cash Flows  
For the years ended December 31, 2021 and 2020

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	2021	2020
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income and comprehensive income	<b>240,623</b>	1,341,031
<i>Changes in non-cash working capital balances:</i>		
Changes in owner's equity	<b>(240,623)</b>	(1,341,031)
	-	-
<b>Cash and cash equivalents, beginning and end of period</b>	<b>-</b>	<b>-</b>

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The accompanying notes are an integral part of and should be read in conjunction with these audited carve-out financial statements.

# 2747524 Ontario Inc.

## Operations of Cylix Data

Notes to the Carve-Out Financial Statements  
As at December 31, 2021 and 2020  
and for the years ended December 31, 2021 and 2020



### 1. GENERAL INFORMATION

2747524 Ontario Inc. ("274OI") utilized software and database intellectual property assets (the "IP Assets") which it had acquired in a non-arms length transaction from its parent company, 997322 Ontario Inc. ("997OI") on March 15, 2021. From March 10, 2020, until the date of these carve-out financial statements, 274OI was a wholly-owned subsidiary of 997OI.

On January 24, 2022, Xigem Technologies Corporation ("XTC"), an arms-length entity, acquired all of the property and assets of 274OI relating to the Cylix Data Business (**Note 10**).

### 2. BASIS OF PREPARATION

The Operations of Cylix Data Business ("Cylix"), as presented in these carve-out financial statements, was not a legal entity for the duration of the reporting period. As Cylix has not historically prepared financial statements, these carve-out financial statements have been prepared from the financial records of 274OI and 997OI on a carve-out basis.

The carve-out statements of financial position include all of the Cylix net assets. The carve-out statements of net income and comprehensive income for each of the years ended December 31, 2021 and 2020 reflect all revenues and expenses directly attributable to the Cylix net assets as well as an allocation of 274OI's and 997OI's general and administrative expenses incurred in each of those years, as these expenditures were shared by the Cylix net assets. In some instances, certain expenses were not allocated as they would have related directly to 274OI or 997OI.

These carve-out financial statements have been prepared for the specific purpose of reporting on the financial position, results of operations, changes in equity and cash flows of Cylix for inclusion in the Business Acquisition Report of the acquirer of the IP Assets (**Note 10**).

These carve-out financial statements have been prepared based upon the historical cost amounts recorded by 274OI and 997OI, with the exception of certain financial instruments measured at fair value. These carve-out financial statements may not be indicative of Cylix's financial performance and do not necessarily reflect what its financial position, results of operations, and cash flows would have been had Cylix operated as an independent entity during the years presented.

# 2747524 Ontario Inc.

## Operations of Cylix Data

Notes to the Carve-Out Financial Statements  
As at December 31, 2021 and 2020  
and for the years ended December 31, 2021 and 2020



### 3. STATEMENT OF COMPLIANCE, BASIS OF PRESENTATION, JUDGMENTS, AND ESTIMATES

#### (a) Statement of compliance

These carve out financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee ("IFIRC"). The policies set out below were consistently applied to all the periods presented, unless otherwise noted.

These carve-out financial statements were authorized for issuance by the Board of Directors on April 4, 2022.

#### (b) Basis of presentation

The carve-out financial statements are prepared on a going concern basis using the historical cost method, as set out in the relevant accounting policies.

The carve-out statements of financial position distinguish between current and non-current assets and liabilities. Current assets and liabilities are expected to be settled within one year from the reporting period, and non-current assets and liabilities are those when the recovery or settlement is expected to be greater than a year from the reporting period.

These carve-out financial statements are presented in Canadian dollars, which is the functional and presentation currency.

#### (c) Significant judgments and estimates

The preparation of the carve-out financial statements under IFRS requires management to exercise judgment in applying Cylix's accounting policies. Judgments made by management in the ongoing application of IFRS that have a significant effect on the carve-out financial statements are outlined below:

##### *Intangible assets*

Cylix applies judgment to assess whether there are any indications that its intangible assets may be impaired. This assessment requires an assessment of external, internal and other indicators at the end of each reporting period. Cylix also applies judgment in determining whether the capitalized development costs have an indefinite or finite useful life.

##### *Provisions and contingencies*

Cylix will encounter possibly obligations arising from past events which will only be confirmed by the occurrence or non-occurrence of future events not wholly within the control of Cylix or where the obligation cannot be reliably estimated. Cylix reviews such situations at each statement of financial position date and makes judgments on all information available to determine if an outflow of economic resources can be reliably estimated or not. If this is not possible, a contingency is reported for each material case.

# 2747524 Ontario Inc.

## Operations of Cylix Data

Notes to the Carve-Out Financial Statements  
As at December 31, 2021 and 2020  
and for the years ended December 31, 2021 and 2020



### 3. STATEMENT OF COMPLIANCE, BASIS OF PRESENTATION, JUDGMENTS, AND ESTIMATES (CONT'D)

#### (c) Significant judgments and estimates (cont'd)

##### *Income taxes*

During the reporting period, Cylix was owned by entities that are Canadian-controlled private corporations, which were taxed as corporations for income tax purposes. Taxable income or losses were reportable on the tax returns of 274OI and 997OI. Cylix is not a legal entity and accordingly has not filed income tax returns. Therefore, no provision has been made for income taxes in these carve-out financial statements.

##### *Preparation of carve-out financial statements*

The preparation of carve-out financial statements requires management to make judgments related to the allocation of assets, liabilities and expenses. The actual results may differ from the results presented had the business existed in a separate entity for the periods presented.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Revenue recognition policy

Revenues are generally provided based upon orders or contracts with its customers that include fixed or determinable prices based upon job rates. Revenue is recognized under the services rendered method and recognized over the term of the contract as the services are provided. Royalty revenues are recognized as earned.

#### (b) Recognition and measurement of financial assets and liabilities

Cylix determines the classification of its financial assets and financial liabilities at initial recognition. The classification of financial instruments depends on the purpose for which they are acquired or incurred. Financial instruments are initially recorded at fair value and, in the case of financial assets or liabilities carried at amortized cost, adjusted for directly attributable transaction costs.

The fair value of a financial instrument is the amount of consideration that could be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument without modification or a valuation technique using market-based inputs.

Financial assets and financial liabilities are recognized when Cylix becomes a party to the contractual provisions of the instrument. Financial assets are no longer recognized when the rights to receive cash flows from the assets have expired or are assigned, and all the risks and rewards of ownership have been transferred to a third party. Financial liabilities are no longer recognized when the related obligation expires or is discharged or canceled.



# 2747524 Ontario Inc.

## Operations of Cylix Data

Notes to the Carve-Out Financial Statements  
As at December 31, 2021 and 2020  
and for the years ended December 31, 2021 and 2020



#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### (b) Recognition and measurement of financial assets and liabilities (cont'd)

###### *Financial assets*

Cylix's financial assets are classified and measured based on both the business model in which the assets are managed and the asset's contractual cash flow characteristics. Financial assets subsequent to initial recognition are classified and measured based on three categories: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI") with fair value gains or losses recycled to net income on derecognition for loans and receivables only; or (iii) fair value through profit and loss ("FVTPL").

###### *Financial assets at amortized cost*

Financial assets are recorded at amortized cost when financial assets are held to collect contractual cash flows, and those cash flows represent payments of principal and interest solely and are not designated as FVTPL. These assets are measured at amortized cost subsequent to initial recognition using the effective interest method. This method uses an effective interest rate that discounts estimated future cash receipts through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability. The amortized cost is reduced by impairment losses if any. Interest income and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

###### *Financial assets at FVOCI*

These financial assets are measured at fair value after initial recognition. For debt instruments held to collect contractual cash flows and sell financial assets, interest income is calculated using the effective interest method, and impairment is recognized in profit or loss. Other net fair value gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. For equity instruments not held for trading and where an election to present changes in the fair value subsequent to the initial recognition of such instruments in other comprehensive income is made, dividends are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the investment cost.

Other net fair value gains and losses are recognized in OCI and are never reclassified to profit or loss. Regular way transactions are recorded on a trade date basis.

###### *Financial assets at FVTPL*

These financial assets are neither held at amortized cost nor at FVOCI as they are managed and evaluated on a fair value basis. These financial assets are measured at fair value subsequent to initial recognition. Net gains and losses, including any interest or dividend income, are recognized in profit or loss unless they are derivative instruments designated in an effective hedging relationship.

# 2747524 Ontario Inc.

## Operations of Cylix Data

Notes to the Carve-Out Financial Statements  
As at December 31, 2021 and 2020  
and for the years ended December 31, 2021 and 2020



#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### (b) Recognition and measurement of financial assets and liabilities (cont'd)

###### *Financial liabilities*

Financial liabilities are initially measured at fair value, and subsequent to initial recognition, are classified and measured based on two categories: (i) amortized cost; or (ii) FVTPL.

###### *Financial liabilities at amortized cost*

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

###### *Financial liabilities at FVTPL*

A financial liability is classified as FVTPL if it is classified as held for trading. It is derivative or designated as FVTPL on initial recognition. Financial liabilities at FVTPL are subsequently measured at fair value, and net gains and losses, including any interest expenses, are recognized in profit or loss unless they are derivative instruments designated in an effective hedging relationship.

###### *Derecognition of financial assets and liabilities*

Cylix derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which Cylix neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Cylix derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Cylix also derecognizes a financial liability when its terms are modified and the cash flows or the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

###### *Offsetting of financial assets and liabilities*

Financial assets and financial liabilities are offset and the net amount presented on the carve-out statement of financial position, only when Cylix has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

# 2747524 Ontario Inc.

## Operations of Cylix Data

Notes to the Carve-Out Financial Statements  
As at December 31, 2021 and 2020  
and for the years ended December 31, 2021 and 2020



#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### (b) Recognition and measurement of financial assets and liabilities (cont'd)

###### *Impairment of financial assets*

Expected credit losses ("ECLs") is the probability-weighted estimate of credit losses. Cylix recognizes loss allowances for ECLs on financial assets measured at amortized cost and contract assets.

The gross carrying amount of a financial asset is written off when Cylix has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities to comply with Cylix's procedures for recovery of amounts due.

At each reporting date, each financial asset measured at amortized cost is assessed for impairment under an expected credit loss ("ECL") model. Cylix applies the simplified approach which uses lifetime ECLs for financial assets.

###### *Income taxes*

Cylix was owned by entities that are Canadian-controlled private corporations, which were taxed as corporations for income tax purposes. Taxable income or losses were reportable on the tax returns of 274OI and 997OI. Cylix is not a legal entity and accordingly has not filed income tax returns. Therefore, no provision has been made for income taxes in these carve-out financial statements.

##### (c) Deferred development costs and intangible assets

###### *Intangible assets*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are not amortized but are reviewed each period for impairment.

# 2747524 Ontario Inc.

## Operations of Cylix Data

Notes to the Carve-Out Financial Statements  
As at December 31, 2021 and 2020  
and for the years ended December 31, 2021 and 2020



#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### (c) Deferred development costs and intangible assets (cont'd)

###### *Impairment of non-financial assets*

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, Cylix estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. Finite life intangible assets not yet available for use are tested annually for impairment.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. An impairment loss is recognized immediately in profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount, but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. An impairment loss is reversed when there has been a change in estimate that is relevant for the determination of the asset's recoverable amount since the last impairment loss was recognized.

###### *Research and development*

Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized as internally generated intangible assets if Cylix can demonstrate each of the following criteria:

- technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible assets and use or sell it;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and Cylix intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets. Other development expenditure is recognized in profit or loss as incurred. Capitalized development expenditure is measured at cost and amortization will begin when the development phase is complete.

# 2747524 Ontario Inc.

## Operations of Cylix Data

Notes to the Carve-Out Financial Statements  
As at December 31, 2021 and 2020  
and for the years ended December 31, 2021 and 2020

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#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### (d) Provisions

Provisions are recognized when present (legal or constructive) obligations resulting from a past event will lead to a probable outflow of economic resources, and amounts can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Cylix performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered remote, no liability is recognized.

#### 5. FUTURE ACCOUNTING PRONOUNCEMENTS

Certain pronouncements have been issued by the IASB that are not yet effective. There are currently no such pronouncements that are expected to have a significant impact on the carve-out financial statements upon adoption.

#### 6. INTANGIBLE ASSETS

Cylix's intangible assets consist of software and database intellectual property assets to enable specialized construction credit reporting and commercial credit reporting for managing credit risk for its customer. Based on the nature of the intangible assets, the useful life is to be indefinite. As at December 31, 2021, there have been no impairment losses recognized on the recognized intangible assets.

#### 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The risk exposures and the impact on financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures. 274OI's and 997OI's Boards of Directors has overall responsibility for the establishment and oversight of Cylix's risk management framework. The risk management framework is not independent of Cylix and, as such, no additional risk exposure exists.

##### (a) Financial risk management

Cylix's risk management policies are established to identify and analyze the risks faced by Cylix, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Cylix's activities. Cylix, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

# 2747524 Ontario Inc.

## Operations of Cylix Data

Notes to the Carve-Out Financial Statements  
As at December 31, 2021 and 2020  
and for the years ended December 31, 2021 and 2020



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### 8. CONTINGENCIES AND COMMITMENTS

Cylix is not contingently liable with respect to litigation, claims, and environmental matters, including those that could result in mandatory damages or other relief. Any expected settlement of claims in excess of amounts recorded will be charged to the statements of income and comprehensive income to Cylix as and when such determination is made.

### 9. CAPITAL MANAGEMENT

The capital of the Cylix consists primarily of the capital of its parent. Future financings are dependent on market conditions and there can be no assurance Cylix will be able to raise funds in the future. All financings require the approval of Cylix's parent corporation. Cylix is not subject to externally imposed capital requirements.

### 10. SUBSEQUENT EVENTS

On January 24, 2022, an arms-length entity acquired substantially all of the assets of Cylix, for an aggregate consideration of \$9,058,000, which was settled by way of issuance of 64,700,000 shares at a price \$0.14 per share.

**SCHEDULE "B"**



# **Xigem Technologies Corporation**

## **Pro Forma Consolidated Financial Statements**

December 31, 2021



**Xigem Technologies Corporation**  
Pro Forma Consolidated Financial Statements



December 31, 2021

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**Xigem Technologies Corporation**  
**Pro Forma Consolidated Statement of Financial Position**  
**As at December 31, 2021**  
*(Expressed in Canadian dollars)*



	Xigem Technologies Corporation	2747524 Ontario Inc.	Pro forma adjustments	Notes	Pro forma consolidated
	\$	\$	\$		\$
<b>ASSETS</b>					
<i>Current</i>					
Cash and equivalents	684,036	-	-		<b>684,036</b>
Indirect taxes recoverable	183,804	-	-		<b>183,804</b>
Prepaid expenses	4,375	-	-		<b>4,375</b>
Share subscription receivable	200,000	-	-		<b>200,000</b>
	1,072,215	-	-		<b>1,072,215</b>
Property and equipment	419,125	-	-		<b>419,125</b>
Intangible assets	1,318,095	9,844,021	(786,021)	4(b)	<b>10,376,095</b>
	2,809,435	9,844,021	(786,021)		<b>11,867,435</b>
<b>LIABILITIES</b>					
<i>Current</i>					
Accounts payable and accrued liabilities	507,239	-	-		<b>507,239</b>
Lease liability	35,862	-	-		<b>35,862</b>
	543,101	-	-		<b>543,101</b>
Lease liability	128,014	-	-		<b>128,014</b>
Deferred income tax	6,873	-	-		<b>6,873</b>
	677,988	-	-		<b>677,988</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	5,829,812	-	8,457,585	4(b)	<b>14,287,397</b>
Warrant reserve	1,060,646	-	600,415	4(b)	<b>1,661,061</b>
Options reserve	1,431,500	-	-		<b>1,431,500</b>
Retained earnings (Deficit)	(6,190,511)	9,844,021	(9,844,021)	4(a), 4(b)	<b>(6,190,511)</b>
	2,131,447	9,844,021	(786,021)		<b>11,189,447</b>
	2,809,435	9,844,021	(786,021)		<b>11,867,435</b>

**Xigem Technologies Corporation**  
**Pro Forma Consolidated Statements of Loss and Comprehensive Loss**  
**For the year ended December 31, 2021**  
*(Expressed in Canadian dollars)*



	Xigem Technologies Corporation	2747524 Ontario Inc.	Pro forma adjustments	Notes	Pro forma consolidated
	\$	\$	\$		\$
<b>REVENUES</b>	-	619,566	-		<b>619,566</b>
	-	619,566	-		<b>619,566</b>
<b>COST OF SALES</b>	-	57,024	-		<b>57,024</b>
	-	57,024	-		<b>57,024</b>
<b>EXPENSES</b>					
Share-based payments	1,313,000	-	-		<b>1,313,000</b>
Investor relations	979,805	-	-		<b>979,805</b>
Professional fees	346,011	-	-		<b>346,011</b>
Management and consulting fees	314,090	-	-		<b>314,090</b>
Amortization	222,735	-	-		<b>222,735</b>
Public filing fees	217,919	-	-		<b>217,919</b>
Advertising and promotion	197,148	-	-		<b>197,148</b>
Consulting fees	-	155,462	-		<b>155,462</b>
Salaries and wages	-	107,765	-		<b>107,765</b>
Development costs	-	34,905	-		<b>34,905</b>
Information technology services	-	23,787	-		<b>23,787</b>
Insurance	13,125	-	-		<b>13,125</b>
Interest and bank charges	6,113	-	-		<b>6,113</b>
Dues and subscriptions	6,268	-	-		<b>6,268</b>
	3,616,214	321,919	-		<b>3,938,133</b>
<b>Other items</b>					
Share-based listing expenses	2,229,204	-	9,844,021	4(a)	<b>12,073,225</b>
Listing expenses	173,057	-	-		<b>173,057</b>
Gain on debt settlement	(38,617)	-	-		<b>(38,617)</b>
	2,363,644	-	9,844,021		<b>12,246,282</b>
<b>Income (loss) before tax</b>	<b>(5,979,858)</b>	<b>240,623</b>	<b>(9,844,021)</b>		<b>(15,621,873)</b>
<b>Income tax expense</b>					
Current taxes	-	-	-		-
Deferred taxes	4,814	-	-		<b>4,814</b>
	4,814	-	-		<b>4,814</b>
<b>Net income (loss) and comprehensive income (</b>	<b>(5,984,672)</b>	<b>240,623</b>	<b>(9,844,021)</b>		<b>(15,626,687)</b>
<b>Loss per share</b>					
Basic and diluted loss per share	(0.075)	-	-		<b>(0.177)</b>



**1. Background**

(a) Xigem

Xigem Technologies Corporation ("Xigem" or the "Company") seeks to become a leading technology platform for the remote working economy. Using proprietary patented technology, the Company provides organizations with the infrastructure necessary to manage employees, assets, resources, and other business operations in remote working, learning and treatment environments.

10557536 Canada Corp. ("105CC") was incorporated on December 27, 2017 under the Canada Business Corporations Act with its head office located at 401 Bay Street, Suite #2100, Toronto, Ontario, Canada, M5H 2Y4.

The Company was incorporated under the Business Corporations Act of Ontario on June 15, 2020. The Company's registered head office is located at 70 Great Gulf Drive, Suite 67, Vaughan, Ontario, L4K 0K7.

On March 5, 2021, 10557536 Canada Corp acquired the outstanding common shares in the capital of Xigem. The acquisition was accounted for as a reverse takeover ("RTO") whereby Xigem was identified as the acquirer for accounting purposes and the resulting consolidated financial statements are presented as a continuance of Xigem. After the RTO, the combined entity of 10557536 Canada Corp. and Xigem is referred to also as "the Company" in these consolidated financial statements. See reverse take-over transaction (Note 4).

On March 15, 2021, the common shares of the Company commenced trading on the Canadian Securities Exchange (the "CSE") under the symbol XIGM.

(b) Operations of Cylix Data

2747524 Ontario Inc. (the "274OI") utilized software and database intellectual property assets (the "IP Assets") which it had acquired in a non-arms length transaction from its parent company, 997322 Ontario Inc. ("997OI") on March 15, 2021.

On January 24, 2022, Cylix Data Corporation ("CDC"), an arms-length entity, acquired substantially all of the assets of 274OI. From March 10, 2020, until the date of these carve-out financial statements, 274OI was a wholly-owned subsidiary of 997OI.

**2. Basis of preparation**

The accompanying unaudited pro forma consolidated financial statements of Xigem have been prepared by the management of Xigem for illustrative purposes only and give effect to Xigem's acquisition of the operations of Cylix Data.

The unaudited pro forma consolidated statement of financial position has been prepared assuming the transaction had occurred on December 31, 2021. The unaudited pro forma consolidated statements of loss for the year ended December 31, 2021 has been prepared assuming the transaction had occurred on January 1, 2021.



## **2. Basis of preparation (cont'd)**

These unaudited pro forma consolidated financial statements have been compiled from and include:

An unaudited pro forma consolidated statement of financial position of the Company as at December 31, 2021 combining the: (i) audited statement of financial position of Xigem as at December 31, 2021 and (ii) the audited statements of financial position of the Operations of Cylix Data as at December 31, 2021; and

An unaudited pro forma consolidated statement of income of the Company for the year ended December 31, 2021 combining: (i) the statement of loss and comprehensive loss of Xigem for the year ended December 31, 2021 and the audited statements of net income and comprehensive income of the Operations of Cylix Data for the year ended December 31, 2021;

It is management's opinion that these pro forma consolidated financial statements include all adjustments necessary for the fair presentation of the transactions described herein and are in accordance with International Financial Reporting Standards ("IFRS") applied on a basis consistent with the Company's accounting policies.

These pro forma consolidated financial statements are not intended to reflect the results of operations or the financial position of the Company that would have actually resulted had the transactions been effected on the dates indicated above. Furthermore, the pro forma financial information is not necessarily indicative of the results of operations that may be obtained in the future.

Actual amounts recorded upon consummation of the transactions will differ from those recorded in these unaudited pro forma consolidated financial statements and the differences may be material. Under acquisition accounting, the measurement of the fair value of certain assets and liabilities of the operations of Cylix Data is dependent on valuations that have not been finalized. Accordingly, differences between these preliminary estimates and the final acquisition accounting may be material.

Accounting policies used in the preparation of the pro forma statements are consistent with those used in the audited consolidated financial statements of Xigem for the year ended December 31, 2021. The unaudited pro forma consolidated financial statements should be read in conjunction with (i) the audited consolidated financial statements of Xigem for the year ended December 31, 2021, (ii) the audited financial statements of the Operations of Cylix Data for the year ended December 31, 2021, and (iii) the notes included therein.

## **3. Description of the transaction**

On January 24, 2022, the Xigem purchased substantially all of the assets of 2747524 Ontario Inc. o/a Cylix Data, a business intelligence technology company whose software improves efficiency and increases productivity for business professionals through the supply of information required to implement risk-management and decision-making processes.

Acquisition of assets for an aggregate consideration of \$9,058,000, has been settled through the issuance of 64,700,000 units ("Purchaser Units") at a price of \$0.14 per Purchaser Unit, with each Purchaser Unit comprised of one common share of the Company, and one-seventh (1/7) of one common share purchase warrant (each whole warrant, a "Purchaser Warrant"). Each Purchaser Warrant entitles the holder to acquire an additional common share of the company at a price of \$0.60 for a period of 24 months.



**4. Pro forma assumptions and adjustments**

(a) Transaction costs

On the pro forma statement of financial position, to give effect to transaction costs incurred by Xigem in connection with the transaction (Note 3), an increase in accounts payable and accrued liabilities and accumulated deficit for estimated transaction costs transaction costs incurred and to be incurred through closing by all entities noted above.

(b) Purchase price allocation

On the pro forma statement of financial position, to give effect to acquisition of the Operations of Cylix Data assuming it closed on December 31, 2021, the following were inputs and assumptions used in deriving the required pro forma adjustments to record the purchase price allocation of the acquisition:

- (i) Operations of Cylix Data reported statement of financial position at December 31, 2021
- (ii) Recording of pro forma adjustment (b) to arrive at adjusted statement of financial position.
- (iii) Identifiable intangible assets including software and database, valued by way of a combination of independent third-party valuation and value of completed market transaction.
- (iv) Xigem common shares valued using closing Xigem price per share (Note 3).

(c) Issuance of warrants

On the close of the Transaction, 9,058,000 warrants were issued to shareholders of 105CC, which have been allocated a fair value of \$600,415 and have been included as a re-allocation within pro forma equity. The fair value of the warrants issued was determined using the Black-Scholes pricing model using the assumptions as follows:

	<b>31-Dec-21</b>
Fair value	\$ 0.07
Share price	\$ 0.14
Exercise price	\$ 0.60
Expected volatility	150.00%
Expected life	2
Expected dividends	\$ -
Risk-free interest rate	0.10%

**Xigem Technologies Corporation**  
**Notes to the Pro Forma Consolidated Financial Statements**  
For the year ended December 31, 2021  
*(Expressed in Canadian dollars)*



**5. Pro forma equity**

A continuity of the Transaction equity related to the recorded value after giving effect of the pro forma transactions described in Note 4 is set out below:

	Note	Pro forma share capital #	Pro forma share capital \$	Number of warrants #	Warrant reserve \$	Number of options #	Option reserve \$	Pro forma deficit \$	Pro forma equity \$
Value of equity of Xigem, as at December 31, 2021		85,177,645	5,829,812	7,872,693	1,060,646	7,715,600	1,431,500	(6,190,511)	<b>2,131,447</b>
<b>Total book value of Xigem prior to Transaction</b>		<b>85,177,645</b>	<b>5,829,812</b>	<b>7,872,693</b>	<b>1,060,646</b>	<b>7,715,600</b>	<b>1,431,500</b>	<b>(6,190,511)</b>	<b>2,131,447</b>
<i>Effect of pro forma transactions</i>									
Net income attributable to 2747524 Ontario Inc. (Cylix Data)		-	-	-	-	-	-	9,844,021	<b>9,844,021</b>
Decrease in value of equity of 2747524 Ontario Inc. (Cylix Data)	(i)	-	-	-	-	-	-	(9,844,021)	<b>(9,844,021)</b>
Shares and warrants issued to shareholders of 2747524 Ontario Inc. (Cylix Data)	(ii)	9,058,000	8,457,585	9,058,000	600,415	-	-	-	<b>9,058,000</b>
		<b>94,235,645</b>	<b>14,287,397</b>	<b>16,930,693</b>	<b>1,661,061</b>	<b>7,715,600</b>	<b>1,431,500</b>	<b>(6,190,511)</b>	<b>11,189,447</b>

(i) The decrease in the value of the existing retained earnings is treated as an adjustment of Xigem as listing expenses.

(ii) In connection with the Transaction, Xigem will issue 9,058,000 units including shares valued at \$8,457,585 and warrants of \$600,415. These warrants have been valued using the Black-Scholes pricing model.