



# **Xigem Technologies Corporation**

## **Interim Condensed Consolidated Financial Statements**

For the three and nine-month  
periods ended September 30, 2022 and 2021

*(Unaudited)*

# Xigem Technologies Corporation



For the three and nine-month  
periods ended September 30, 2022 and 2021  
*(Unaudited)*

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**Xigem Technologies Corporation**  
**Interim Condensed Consolidated Statements of Financial Position**  
**As at September 30, 2022 and December 31, 2021**  
*(Expressed in Canadian dollars)*  
*(Unaudited)*



	Note	September 30, 2022	December 31, 2021
		\$	\$
<b>ASSETS</b>			
<i>Current</i>			
Cash and equivalents		171,317	684,036
Indirect taxes recoverable		76,258	183,804
Prepaid expenses		29,897	4,375
Share subscription receivable		200,000	200,000
		<b>477,472</b>	<b>1,072,215</b>
Property and equipment	5	146,534	419,125
Intangible assets	6	674,923	1,318,095
		<b>1,298,929</b>	<b>2,809,435</b>
<b>LIABILITIES</b>			
<i>Current</i>			
Accounts payable and accrued liabilities		269,732	507,239
Lease liability	7	37,200	35,862
		<b>306,932</b>	<b>543,101</b>
Lease liability	7	99,735	128,014
Deferred income tax		6,873	6,873
		<b>413,540</b>	<b>677,988</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	4, 8	14,452,458	5,829,812
Warrant reserve	8	1,634,500	1,060,646
Options reserve	8	2,795,795	1,431,500
Deficit		(17,997,364)	(6,190,511)
		<b>885,389</b>	<b>2,131,447</b>
		<b>1,298,929</b>	<b>2,809,435</b>
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On behalf of the Board:

*Brian Kalish*

Director

# Xigem Technologies Corporation

## Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

For the three and nine-month periods ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

(Unaudited)



	Note	For the 3 months ended September 30, 2022	For the 9 months ended September 30, 2022	For the 3 months ended September 30, 2021	For the 9 months ended September 30, 2021
		\$	\$	\$	\$
<b>EXPENSES</b>					
Share-based payments	8, 9	680,600	1,482,795	31,166	1,225,145
Amortization	5, 6	229,872	781,479	88,047	147,588
Management and consulting fees	9	49,578	180,297	-	-
Public filing fees		25,493	120,063	-	-
Professional fees	9	18,087	81,000	213,747	515,941
Investor relations		17,380	48,463	364,823	364,823
Insurance		7,016	20,021	8,750	8,750
Advertising and promotion		2,596	18,019	64,895	786,031
Dues and subscriptions		3,491	11,177	2,569	4,859
Interest and bank charges		1,570	5,539	2,252	4,005
		<b>1,035,683</b>	<b>2,748,853</b>	776,249	3,057,142
<b>OTHER ITEMS</b>					
Loss on acquisition	4	-	9,058,000	-	-
Listing expenses		-	-	39,492	125,130
Acquisition costs		-	-	-	1,013,897
		-	<b>9,058,000</b>	39,492	1,139,027
<b>LOSS BEFORE INCOME TAXES</b>		<b>(1,035,683)</b>	<b>(11,806,853)</b>	(815,741)	(4,196,169)
<b>INCOME TAXES</b>					
Current		-	-	-	-
Deferred		-	-	15,318	27,522
		-	-	15,318	27,522
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>(1,035,683)</b>	<b>(11,806,853)</b>	(831,059)	(4,223,691)
<b>LOSS PER SHARE</b>					
Basic	10	(0.068)	(0.790)	(0.102)	(0.674)
Diluted	10	(0.063)	(0.790)	(0.083)	(0.522)

**Xigem Technologies Corporation**  
**Interim Condensed Consolidated Statement of Changes in Equity**  
For the periods ended September 30, 2022 and 2021  
*(Expressed in Canadian dollars)*  
*(Unaudited)*



	Note	Share capital #	Share capital \$	Warrant reserve \$	Options reserve \$	Deficit \$	Total equity \$
Balance, as at December 31, 2020		13,247,360	2,347,426	660,914	-	(205,839)	<b>2,802,501</b>
Elimination of Xigem Technology Solutions common shares		(13,247,360)	(2,347,426)	-	-	-	<b>(2,347,426)</b>
Shares issued to Xigem Technology Solutions shareholders in connection with RTO		6,623,680	2,347,426	-	-	-	<b>2,347,426</b>
Common shares, options and warrants deemed issued in connection with RTO		1,310,680	347,587	1,369,185	118,500	-	<b>1,835,272</b>
Shares for debt		78,810	200,000	-	-	-	<b>200,000</b>
Common shares issued on exercise of warrants		256,429	236,164	(68,164)	-	-	<b>168,000</b>
Shares issued on acquisition of FOOi		166,667	500,000	-	-	-	<b>500,000</b>
Equity-settled shared-based payment		-	-	-	1,045,278	-	<b>1,045,278</b>
Cancellation of stock-options	9	-	40,178	-	(72,378)	38,617	<b>6,417</b>
Cancellation of warrants	9	-	43,567	(43,567)	-	-	<b>-</b>
Net loss and comprehensive loss		-	-	-	-	(4,223,691)	<b>(4,223,691)</b>
<b>Balance, as at September 30, 2021</b>		<b>8,436,264</b>	<b>3,714,922</b>	<b>1,918,368</b>	<b>1,091,400</b>	<b>(4,390,913)</b>	<b>2,333,777</b>
Balance, as at December 31, 2021		8,517,761	5,829,812	1,060,646	1,431,500	(6,190,511)	2,131,447
Common shares issued on exercise of options	8(d)	329,086	138,500	-	(118,500)	-	<b>20,000</b>
Acquisition of Cylix Data	4, 8(b), (c)	6,470,000	8,484,146	573,854	-	-	<b>9,058,000</b>
Equity-settled shared-based payment	8(d)	-	-	-	1,482,795	-	<b>1,482,795</b>
Net loss and comprehensive loss	4	-	-	-	-	(11,806,853)	<b>(11,806,853)</b>
<b>Balance, as at September 30, 2022</b>		<b>15,316,847</b>	<b>14,452,458</b>	<b>1,634,500</b>	<b>2,795,795</b>	<b>(17,997,364)</b>	<b>885,389</b>

NOTE: *Common shares of the Company were consolidated subsequent to June 30, 2022 (Note 1). All share numbers have been adjusted to reflect this consolidation as if it had occurred at the beginning of the reporting period.*

**Xigem Technologies Corporation**  
**Interim Condensed Consolidated Statement of Cash Flows**  
For the three and nine-month periods ended September 30, 2022 and 2021  
(Expressed in Canadian dollars)  
(Unaudited)



	Note	For the 3 months ended September 30, 2022	For the 9 months ended September 30, 2022	For the 3 months ended September 30, 2021	For the 9 months ended September 30, 2021
		\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>					
Net loss and comprehensive loss		(1,035,683)	(11,806,853)	(831,059)	(4,223,691)
<i>Items not affecting cash:</i>					
Loss on acquisition	4	-	9,058,000	-	840,840
Share-based payments	8	680,600	1,482,795	31,166	1,225,145
Amortization	5, 6	229,872	781,479	88,047	147,588
Finance costs and other		1,430	4,559	1,750	2,908
Deferred taxes		-	-	15,318	27,522
		(123,781)	(480,020)	(694,778)	(1,979,688)
<i>Changes in non-cash working capital balances:</i>					
Indirect taxes recoverable		131,858	107,545	(40,517)	(139,263)
Prepaid expenses		-	(25,522)	(8,750)	(8,750)
Accounts payable and accrued liabilities		11,787	(237,506)	110,004	558,389
		143,645	(155,483)	60,737	410,376
		19,864	(635,503)	(634,041)	(1,569,312)
<b>INVESTING ACTIVITY</b>					
Acquisition of property and equipment	5	-	-	(22,274)	(463,088)
Acquisition of intangible assets	6	(6,750)	(13,500)	-	-
Disposal of intangible assets	6	-	147,784	-	-
		(6,750)	134,284	(22,274)	(463,088)
<b>FINANCING ACTIVITIES</b>					
Proceeds from exercise of options	8 (c)	-	20,000	123,554	821,786
Proceeds from exercise of warrants		-	-	168,000	168,000
Payments on lease financing	7	(10,500)	(31,500)	(3,500)	(3,500)
		(10,500)	(11,500)	288,054	986,286
<b>Change in cash and cash equivalents</b>		<b>2,614</b>	<b>(512,719)</b>	<b>(368,261)</b>	<b>(1,046,114)</b>
Cash and equivalents, beginning of period		168,703	684,036	1,488,107	2,165,960
<b>Cash and equivalents, end of period</b>		<b>171,317</b>	<b>171,317</b>	<b>1,119,846</b>	<b>1,119,846</b>



**1. General information**

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, 105CC 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 interim condensed consolidated financial statements are presented as a continuance of Xigem. After the RTO, the combined entity of 105CC and Xigem is referred to also as "the Company" in these interim condensed consolidated financial statements.

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

On July 15, 2022, the Company announced it is proceeding with a consolidation of its issued and outstanding share capital on the basis of one (1) new common share for every ten (10) outstanding common shares (Note 8).

**2. Basis of preparation**

a) Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The realizable values may be substantially different from their carrying values, as shown in these interim condensed consolidated financial statements. These interim condensed consolidated financial statements do not affect adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

As at September 30, 2022, the Company had an accumulated deficit of \$17,997,364 (December 31, 2021 – \$6,190,511). The Company has not yet been able to generate positive cash flows from operations. These conditions raise material uncertainties which may cast a significant doubt upon the Company's ability to continue as a going concern. Whether and when the Company can generate sufficient cash flows to pay for its expenditures and settle its obligations as they fall due after September 30, 2022, is uncertain.

To address the going concern risk, the Company continues to seek equity financing alternatives (see Note 12) to support ongoing operations, monitor general and administrative expenses compared to budget, and optimize its operating processes.



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

b) Statement of compliance

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The policies applied in these consolidated financial statements are presented in Note 3. These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on November 24, 2022.

The interim condensed consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company’s consolidated financial statements for the year ended December 31, 2021. The interim condensed consolidated financial statements comply with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information and footnote disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed.

c) Basis of consolidation

The interim condensed consolidated financial statements comprise the accounts of the Company and its controlled subsidiaries. The interim condensed consolidated financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date that control ceases. The interim condensed consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all the following:

- power over the investee.
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor’s returns.

All transactions and balances between the Company and its subsidiaries are eliminated on consolidation, including unrealized gains and losses on transactions between companies.

The Company’s material subsidiaries as at September 30, 2022 are as follows:

Name of subsidiary	Country of incorporation	Ownership percentage	Functional currency
Xigem Technology Solutions Inc.	Canada	100%	Canadian Dollar
2747524 Ontario Inc. o/a Cylix Data Group	Canada	100%	Canadian Dollar





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

d) Basis of presentation

The interim condensed consolidated financial statements are prepared on a going concern basis using the historical cost method, except for certain financial instruments that have been measured at fair value. In addition, these interim condensed consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The Company presents its classified consolidated statements of financial position distinguished between current and non-current assets and liabilities.

e) Significant judgments

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

i) *Going concern*

The Company applies judgment to determine whether there are material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

ii) *Non-financial assets*

The Company applies judgment to assess whether there are any indications that its non-financial assets may be impaired. This assessment requires an assessment of external, internal and other indicators at the end of each reporting period.

iii) *Provisions and contingencies*

The Company may encounter 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 the Company or where the obligation cannot be reliably estimated. The Company reviews such situations at each consolidated 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.

iv) *Research and development costs*

Judgment is required to distinguish the research phase and the development phase to correctly identify costs that qualify for capitalization.

v) *Income taxes*

The Company applies judgment in determining the tax rates applicable to the temporary differences to determine the provision for income taxes. Deferred taxes relate to temporary differences between accounting and tax asset values. They are measured using tax rates that are expected to apply in the year when the asset is realized, or the liability is settled. Temporary differences are differences between accounting and tax asset values expected to be deductible or taxable in the future.



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

f) Use of estimates and assumptions

The preparation of the Company's interim condensed consolidated financial statements requires management to make estimates based on events and circumstances that existed at the consolidated statement of financial position date. Accordingly, actual results may differ from these estimates. Significant estimates made by management with a significant risk of material adjustment in the current and following years are discussed below:

i) *Non-financial assets*

The Company estimates the useful life of its non-financial assets, which include an assessment of the expected usage of the asset, product life-cycles, technological obsolescence and the period of control over the asset. The useful life impacts the amount of amortization recorded in profit or loss in during the year, and the corresponding reduction of the non-financial assets value.

ii) *Share subscription receivable*

The Company applies judgment in determining the recoverability of the share subscription receivable. The Company determined that there were no issues with the recoverability of the share subscription receivable as at September 30, 2022.

iii) *Share-based payments*

The Company measures equity-settled share-based payment transactions based on an estimate of the fair value of goods or services received, unless that fair value cannot be estimated reliably, in which case the Company measures the fair value of the goods or services received based on the fair value of the equity instruments granted.

iv) *Warrants*

The Company uses the Black-Scholes model to calculate the value of warrants issued as part of the Company's private placements. The Black-Scholes model requires six key inputs to determine a value of warrants: risk-free interest rate, exercise price, market price at the date of issuance, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are or could be, affected by significant factors that are out of the Company's control. For example, a longer expected life of the warrants or higher volatility number used would result in an increase in the warrant value.

v) *COVID-19*

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which will include the implementation of travel bans, self-imposed quarantine periods and social distancing have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown, as is the efficacy of the government and central bank interventions.



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

f) Use of estimates and assumptions

v) *COVID-19 (cont'd)*

Management cannot accurately predict the future impact COVID-19 may have on: (i) the severity and the length of potential measures taken by governments to manage the spread of the virus and their effect on labor availability; (ii) availability of essential supplies; (iii) purchasing power of the Canadian dollar; and (iv) ability to obtain additional funding.

At the date of the approval of the interim condensed consolidated financial statements, the Canadian government has not introduced measures which impede the activities of the Company. However, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and conditions of the Company in future periods.

g) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

**3. Significant accounting policies**

a) Future accounting pronouncements

At the date of authorization of these interim condensed consolidated financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and, in some cases, had not yet been adopted by the relevant accounting body:

Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment—Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts—Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018-2020 Cycle	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

The directors do not expect that the adoption of the Standards listed above will have a material impact on the interim condensed financial statements of the Company in future periods.



**4. Loss on acquisition**

a) Background

On January 7, 2022, the Company entered into an asset purchase agreement (“APA”) for substantially all of the assets of 2747524 Ontario Inc. o/a Cylix Data Group (“Cylix”), 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. The APA closed on January 24, 2022.

The acquisition of the Cylix assets for an aggregate consideration of \$9,058,000, has been settled through the issuance of 6,470,000 units (“Purchaser Units”) at a price of \$1.40 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 \$6.00 for a period of 24 months.

b) Events during the nine-month reporting period

Subsequent to the closing of the APA, the Company’s management is of the view that that the vendor of Cylix has breached certain key provisions of the asset purchase agreement currently making it highly improbable for the Company to recognize sole control of the Cylix asset and the books and records associated with it; resulting in the Company's inability to formally control the Cylix asset.

As a result, for accounting purposes Xigem has had to record a loss on the acquisition of the assets of Cylix of \$9.1M in the three-months ended March 31, 2022, and has had to recognize an impairment of the Cylix asset on its balance sheet. The Company is currently pursuing resolution with the vendor of the Cylix asset.

The Company considered the breach to be an adjusting event, whereby such events are those providing evidence of conditions existing at the end of the reporting period. As a result, for the three months ended March 31, 2022, the Company recognized the entire amount of purchase consideration of \$9,058,000 as an other item in profit and loss while recognizing the effect of issuance of Purchaser Units on the interim condensed consolidated statement of changes in equity.

c) Events subsequent to this reporting period

Notwithstanding various attempts at obtaining control of the Cylix assets and its books and records, as defined in the APA, the Company is, as of the date of these interim condensed consolidated financial statements, unable to able to access or utilize the Cylix assets. The Company is presently pursuing dispute resolution options with the vendor of the Cylix assets, however evaluation of the outcome of this process is difficult to determine at this very early stage. Management intends to vigorously pursue its rights in connection with the APA.

**Xigem Technologies Corporation**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
For the three and nine-month periods ended September 30, 2022 and 2021  
*(Expressed in Canadian dollars)*



**5. Property and equipment**

	Right-of-use asset	Leasehold improvements	Total
	\$	\$	\$
<b>Cost</b>			
Balance at December 31, 2021	173,270	313,273	<b>486,543</b>
Additions	-	-	-
<b>Balance at September 30, 2022</b>	<b>173,270</b>	<b>313,273</b>	<b>486,543</b>
<b>Accumulated amortization</b>			
Balance at December 31, 2021	23,494	43,924	<b>67,418</b>
Amortization	26,432	246,159	<b>272,591</b>
<b>Balance at September 30, 2022</b>	<b>49,926</b>	<b>290,083</b>	<b>340,009</b>
<b>Carrying amounts</b>			
At December 31, 2021	149,776	269,349	<b>419,125</b>
<b>At September 30, 2022</b>	<b>123,344</b>	<b>23,190</b>	<b>146,534</b>

The right-of-use asset consists of a lease for corporate office facilities and is amortized on a monthly basis over 5 year term of lease, ending on April 30, 2026.

**6. Intangible assets**

	Licences and trademarks	Software	Total
	\$	\$	\$
<b>Cost</b>			
Balance at December 31, 2021	625,000	873,068	<b>1,498,068</b>
Additions	13,500	-	<b>13,500</b>
Disposal	-	(147,784)	<b>(147,784)</b>
<b>Balance at September 30, 2022</b>	<b>638,500</b>	<b>725,284</b>	<b>1,363,784</b>
<b>Accumulated amortization</b>			
Balance at December 31, 2021	149,657	30,316	<b>179,973</b>
Amortization	236,906	271,982	<b>508,888</b>
<b>Balance at September 30, 2022</b>	<b>386,563</b>	<b>302,298</b>	<b>688,861</b>
<b>Carrying amounts</b>			
At December 31, 2021	475,343	842,752	<b>1,318,095</b>
<b>At September 30, 2022</b>	<b>251,937</b>	<b>422,986</b>	<b>674,923</b>

**Xigem Technologies Corporation**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
For the three and nine-month periods ended September 30, 2022 and 2021  
(Expressed in Canadian dollars)



**7. Lease liability**

Lease liability is measured at the present value of the lease payments that were not paid at the reporting date. The lease payments are discounted using an average interest rate of 4%, which is the Company's estimated incremental borrowing rate. The continuity of the lease liabilities is presented in the table below:

	\$
Balance at December 31, 2021	163,876
Additions	-
Interest expense	4,559
Payments	(31,500)
Less: current portion	(37,200)
<b>Balance at September 30, 2022</b>	<b>99,735</b>

**8. Equity**

a) Authorized

Unlimited	Common shares.
Unlimited	First Preference Shares, voting, non-cumulative, issuable in series with rights, privileges, restrictions and conditions determined by the directors and officers of the Company.
Unlimited	First Preference Shares, non-voting, non-cumulative, issuable in series with rights, privileges, restrictions and conditions determined by the directors and officers of the Company.

b) Issued and outstanding

	Note	Number of shares	Amount \$
Balance, December 31, 2020		13,247,360	2,347,426
Elimination of Xigem Technology Solutions common shares		(13,247,360)	(2,347,426)
Shares issued to Xigem Technology Solutions shareholders in connection with the RTO		6,623,680	2,347,426
Common shares, options and warrants deemed issued in connection with the RTO		1,310,680	347,587
Shares for debt		78,810	200,000
Common shares issued on exercise of warrants		256,429	236,164
Shares issued on acquisition of FOOi		166,667	500,000
Cancellation of stock-options		-	40,178
Cancellation of warrants		-	43,567
<b>Balance, September 30, 2021</b>		<b>8,436,264</b>	<b>3,714,922</b>

**Xigem Technologies Corporation**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
For the three and nine-month periods ended September 30, 2022 and 2021  
(Expressed in Canadian dollars)



**8. Equity (cont'd)**

b) Issued and outstanding (cont'd)

	Note	Number of shares	Amount
Balance, December 31, 2021		8,517,761	5,829,812
Common shares issued on exercise of options		329,086	138,500
Acquisition of Cylix Data	4	6,470,000	8,484,146
<b>Balance, September 30, 2022</b>		<b>15,316,847</b>	<b>14,452,458</b>

On July 20, 2022, the Company completed a consolidation of the Company's issued and outstanding share capital at a rate of ten (10) pre-consolidation common shares for one (1) post-consolidation common share (the "Consolidation"). No fractional shares were issued upon the consolidation, each fractional Common Share that is less than 1/2 of one post-Consolidation Common Share was cancelled and each fractional Common Share that is at least 1/2 of one post-Consolidation Common Share is rounded up to one whole post-Consolidation Common Share.

The exercise or conversion price and/or the number of Shares issuable under any of the Company's outstanding convertible securities, stock options and warrants were proportionally adjusted after giving effect to the Consolidation based on the Consolidation ratio (10:1).

c) Warrants

As at September 30, 2022, the Company had the following warrants outstanding with the corresponding average exercise prices:

	Note	Number of warrants #	Weighted-avg. exercise price \$
Balance, December 31, 2020		5,623,680	0.700
Warrants brought forward at exchange ratio		(2,811,840)	0.700
Acquired in RTO		20,566	0.700
Issued for services		788,303	0.700
Exercised		(240,000)	0.700
Cancelled		(20,000)	0.700
Balance, September 30, 2021		3,360,709	0.700
Balance, December 31, 2021		787,269	1.347
Warrants issued for acquisition of Cylix Data	4	924,286	6.000
Expired		(20,566)	1.519
<b>Balance, September 30, 2022</b>		<b>1,690,989</b>	<b>3.887</b>

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**8. Equity (cont'd)**

c) Warrants (cont'd)

The following table reflects the warrants issued and outstanding as at September 30, 2022:

Expiry date	Warrants outstanding			Warrants exercisable		
	Number outstanding	Average exercise price	Average remaining contractual life (years)	Weighted number exercisable	Weighted number exercisable price	
24-Jan-24	924,286	\$ 6.00	1.32	924,286	\$ 6.00	
1-Jun-24	766,703	\$ 2.30	1.67	766,703	\$ 2.30	
	<b>1,690,989</b>	<b>\$ 4.15</b>	<b>1.37</b>	<b>1,690,989</b>	<b>\$ 3.89</b>	

On the close of acquisition of Cylix assets the Company issued 6,470,000 Common shares and 924,285 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 \$6.00 for a period of 24 months. The value split between common shares and warrants was \$8,484,146 and \$573,854, respectively. The fair value allocated between the common shares and warrants on the issuance of the units was based on a relative fair value allocation between the common shares issued and warrants issued (see Note 4).

The fair value was determined using the Black-Scholes pricing model using the following assumptions:

Fair value	\$ 2.30-6.00
Share price	\$ 0.90-1.40
Exercise price	\$ 2.30-6.00
Expected volatility	50%
Expected life	1.57-1.97
Expected dividends	-
Risk-free interest rate	0.10%-0.25%

Expected volatility has been based on an evaluation of comparable companies to the Company. The expected term of the instruments has been based on management's experience and general holder behavior. As at September 30, 2022, 321,500 warrants were exercised, and the weighted average remaining contractual lives of the warrants was 1.27 years.

d) Options

On January 26, 2022, the Company granted 450,000 incentive stock options pursuant to its Stock Option Plan. Each Option entitles the holder to purchase one common share of the Company at an exercise price of \$1.95 for a period of five years and vest immediately.

An aggregate of 497,500 of incentive stock options granted during the year ended December 31, 2021, were cancelled on March 2, 2022.

On March 10, 2022, the holders of 329,060 options exercised their right to convert the options into the Company's common shares at a price of \$0.060 per common share for gross proceeds of \$20,000, allocated to the share capital account on the consolidated statement of financial position.



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**8. Equity (cont'd)**

d) Options (cont'd)

On April 18, 2022, the Company granted 830,000 incentive stock options. Each Option entitles the holder to purchase one Common share at an exercise price of \$0.90 for a period of five years and will vest on July 18, 2022.

On July 27, 2022, the Company has cancelled 1,225,000 incentive stock options (the "Options") pursuant to its Stock Option Plan. The Options had been granted between January and April 2022 to several of the Company's directors, officers, consultants, and advisory board members. As a result, all remaining unrecognized compensation cost of \$680,600 has been accelerated and reported on interim condensed consolidated statements of loss and comprehensive loss and interim condensed consolidated statements of changes in equity.

The key terms and conditions related to the grants as at September 30, 2022 are as follows; all options are to be settled by physical delivery of shares.

	Vesting conditions	Number of options #	Weighted-avg. exercise price \$
Balance, December 31, 2021		771,560	1.770
Granted to key management personnel	Vesting on grant date	390,000	14.654
Granted to directors	Vesting on grant date	505,000	12.639
Granted to consultants	Vesting on grant date	385,000	10.773
Cancelled	Vesting on grant date	(1,722,500)	7.290
Exercised	Vesting on grant date	(329,060)	0.060
<b>Outstanding, September 30, 2022</b>		-	-
<b>Exerciseable, September 30, 2022</b>		-	-

e) Maximum share dilution

The following table presents the maximum number of shares that would be outstanding if all outstanding warrants and options were exercised as at December 31, 2021 and September 30, 2022:

	September 30, 2022 #	December 31, 2021 #
Common shares outstanding	<b>15,316,847</b>	8,517,765
Warrants to purchase common shares	<b>1,690,989</b>	787,269
Options to purchase common shares	-	771,560
<b>Maximum share dilution</b>	<b>17,007,836</b>	10,076,593

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**9. Related party transactions and balances**

Key management personnel transactions

Key management includes the Company's directors, officers and any consultants with the authority and responsibility for planning, directing, and controlling the activities of an entity, directly or indirectly. Management of the Company appointed by the board of directors as follows: Chief Executive Officer, Chief Financial Officer, Chief Technical Officer.

During the period ended September 30, 2022, all issued options were cancelled (Note 8), including the share-based payments identified in the table above.

	For the 3 months ended September 30, 2022	For the 9 months ended September 30, 2022	For the 3 months ended September 30, 2021	For the 9 months ended September 30, 2021
	\$	\$	\$	\$
Share based payments (options)	680,600	1,482,795	-	910,499
Management and consulting fees incurred	49,578	180,297	128,691	199,158
Management / consulting fees, in accounts payable	19,089	19,089	13,389	13,389
	<b>749,267</b>	<b>1,682,181</b>	142,080	1,123,046

**10. Loss per share**

	For the 3 months ended September 30, 2022	For the 9 months ended September 30, 2022	For the 3 months ended September 30, 2021	For the 9 months ended September 30, 2021
	\$	\$	\$	\$
Net loss attributable to shareholders	<b>(1,035,683)</b>	<b>(11,806,853)</b>	(831,059)	(4,223,691)
Weighted-average common shares outstanding:				
Basic	15,316,824	14,954,666	8,184,013	6,262,183
Dilutive effect of warrants	1,225,000	-	1,770,231	1,770,231
Dilutive effect of stock options	-	-	67,104	64,071
Diluted	<b>16,541,824</b>	<b>14,954,666</b>	10,021,348	8,096,485
Net loss per share attributable to shareholders:				
Basic	<b>(0.068)</b>	<b>(0.790)</b>	(0.102)	(0.674)
Diluted	<b>(0.063)</b>	<b>(0.790)</b>	(0.083)	(0.522)

On July 27, 2022, the Company has cancelled 1,225,000 incentive stock options (the "Options") pursuant to its Stock Option Plan. The Options had been granted between January and April 2022 to several of the Company's directors, officers, consultants, and advisory board members (Note 9).

The effect of cancelled options is antidilutive for this reporting period and thus is not included in the calculation of the diluted earnings-per-share.

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**11. Financial instruments**

a) Accounting classifications and fair values

The following tables combine information about classes of financial instruments based on their nature and characteristics, and the carrying amounts of financial instruments.

As at September 30, 2022:

	FVTPL - mandatorily measured	FVOCI - mandatorily measured	FVOCI - designated	Amortized cost
	\$	\$	\$	\$
<u>Financial assets:</u>				
Share subscription receivable	-	-	-	200,000
Indirect taxes recoverable	-	-	-	76,258
<b>Carrying value at September 30, 2022</b>	-	-	-	<b>276,258</b>
<u>Financial liabilities:</u>				
Accounts payable and accrued liabilities	-	-	-	269,732
Lease liability	-	-	-	136,935
<b>Carrying value at September 30, 2022</b>	-	-	-	<b>406,667</b>

As at December 31, 2021:

	FVTPL - mandatorily measured	FVOCI - mandatorily measured	FVOCI - designated	Amortized cost
	\$	\$	\$	\$
<u>Financial assets:</u>				
Share subscription receivable	-	-	-	200,000
Indirect taxes recoverable	-	-	-	183,804
<b>Carrying value at December 31, 2021</b>	-	-	-	<b>383,804</b>
<u>Financial liabilities:</u>				
Accounts payable and accrued liabilities	-	-	-	507,239
Lease liability	-	-	-	163,876
<b>Carrying value at December 31, 2021</b>	-	-	-	<b>671,115</b>

b) Transfers

For the three and six-month periods ended September 30, 2022 and 2021, there have been no transfers between Level 1, Level 2, and Level 3.



**11. Financial instruments (cont'd)**

c) Financial risk management

The Company has exposure to credit risk, liquidity risk, and market risk arising from financial instruments. Management considers credit risk and market risk to be low.

i) *Risk management framework*

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 the Company's activities. The Company, 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.

ii) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on liabilities (other than trade payables) over the next 60 days. The Company also monitors the level of expected cash inflows on trade and other receivables, together with the expected outflows on trade and other payables.

The Company's exposure to liquidity risk is \$306,932 as at September 30, 2022 (December 31, 2021 – \$543,101), for which the Company has cash and equivalents of \$171,317 on hand to satisfy its liabilities as at September 30, 2022 (December 31, 2021 – \$684,036). There have been no changes to the method for managing liquidity risk.

**12. Capital management**

The Company defines capital as its equity. The Company's objective when managing capital is: (i) to safeguard the ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders; and (ii) to provide an adequate return to shareholders by obtaining an appropriate amount of financing commensurate with the level of risk. The Company sets the amount of capital in proportion to the risk. The Company manages its capital structure and adjusts in light of the changes in economic conditions and the characteristic risk of underlying assets.



**12. Capital management (cont'd)**

To maintain or adjust the capital structure, the Company may repurchase shares, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Company's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet operational, investing, and financing requirements. There have been no changes to the Company's capital management policies during the three and six-month periods ended September 30, 2022 and 2021.

**13. Segmented information**

In measuring its performance, the Company does not distinguish or group its operations on a geographical or any other basis and accordingly has a single reportable operating segment. Management has applied judgment by aggregating its operating segments into one single reportable segment for disclosure purposes. Such judgment considers the nature of the operations and an expectation of operating segments within a reportable segment with similar long-term economic characteristics.

The Company's Chief Executive Officer is the chief operating decision-maker and regularly reviews The Company's operations and performance on an aggregate basis. The Company does not have any significant customers or any significant groups of customers.

**14. Contingencies and commitments**

a) Contingencies

On March 8, 2022, the Company was served with a statement of claim in the Ontario Superior Court of Justice. Lumbermens Credit Group Ltd. ("Lumbermens") has commenced a civil action against Xigem Technologies Corporation as well as 2747524 Ontario Inc. o/a Cylix Data, 997322 Ontario Inc., Roy Murad, Jacob Murad, Aaron Murad, Noah Murad and Monica Murad (the "Action"). The Action seeks, among other things, damages of \$32,350,000 for alleged unlawful competition, misuse of confidential information, conversion and copyright infringement. In addition, the Action seeks certain declaratory relief, punitive damages of \$1,000,000, interest and legal costs.

The Company has formally delivered its statement of defense on April 20, 2022. Although evaluation of the merits of the claim as against the Company is difficult at this very early stage, management is of the view that the Action is meritless as against the Company. Management intends to vigorously defend the Action and seek the costs for so doing from the plaintiff.

b) Management services agreement with 2781705 Ontario Inc

On October 20, 2020, and in connection with the acquisition of iAgent, The Company entered into a management services agreement with 2781705 Ontario Inc. The Company is obligated to pay US \$20,000 a month for development, maintenance, and support services, to the extent that they are rendered. The Company can cancel at the earlier of: (i) completion of The Company's platform; (ii) 30-days written notice by either The Company or 2781705 Ontario Inc.; or (iii) mutual consent.

As at September 30, 2022, aggregate amount of \$151,044 (December 31, 2021 – \$302,328) has been included in accounts payable and accrued liabilities with respect to management services as per the agreement.



**14. Contingencies and commitments (cont'd)**

c) Hybrid Financial Ltd.

On March 15, 2022, the Company retained the services of Hybrid Financial Ltd. for an initial period of 12 months with automatic renewal for successive six-month periods thereafter for a monthly fee of \$22,500, to the extent that these services are rendered.

**15. Subsequent events**

a) Appointment of SRCO Professional Corporation as Auditor

At the request of the Company, the Board of Directors has received the resignation of Clearhouse LLP ("Clearhouse") as independent registered auditor of the Company and has appointed SRCO Professional Corporation ("SRCO") as the new independent registered auditor of Xigem Technologies Corp., effective October 3, 2022, until the close of the Company's next Annual General Meeting. Additional capabilities and regional experience of SRCO will provide Xigem Technologies Corp. with enhanced audit committee oversight.

There were no reservations in Clearhouse's audit reports for any financial period during which Clearhouse was the Company's auditor. There are no "reportable events" (as the term is defined in National Instrument 51-102 - Continuous Disclosure Obligations) between the Company and Clearhouse.

In accordance with National Instrument 51-102, the Notice of Change of Auditor, together with the required letters from Clearhouse and SRCO, have been reviewed by the Company's Audit Committee and have been filed on SEDAR.

b) Letter of intent to acquire SaaS of EAFdigital Inc.

In November of 2022, the Company entered into a letter of intent to acquire substantially all of the assets of EAFdigital Inc. ("EAFdigital"), an online SaaS-based artificial intelligence-driven automobile shopping and delivery platform, for aggregate consideration that is to be determined prior to closing, to be satisfied through and paid in common shares on the basis of a deemed price per Common Share equal to the share price at the day of Closing on which the Company's shares have traded on the Canadian Securities Exchange ("CSE"), unless otherwise mutually agreed to by the parties.

**16. Comparative figures**

Certain figures have been reclassified to conform to the current period's presentation.