Xigem Technologies Corporation

Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Xigem Technologies Corporation

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2022 and had an accumulated deficit at December 31, 2022. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Emphasis of Matter - Material Uncertainty Related to Going Concern* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Intangible asset impairment assessment The Company's impairment test required management to make significant assumptions in determining the recoverable amount, such as revenue forecast, discount rate, and terminal growth.	We determined this as a key audit matter as it represented an area of significant risk of material misstatement given the magnitude of the intangible asset and the high degree of estimation uncertainty in determining the recoverable amount. In addition, significant auditor judgement and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the Company's determination of recoverable amount to minor changes to significant assumptions. We considered this a key audit matter due to the judgments made by management in assessing the indications of impairment and developing the assumptions to determine the recoverable amounts. We performed the following procedures: ▪ Evaluated management's process and methodology; ▪ Tested the completeness and accuracy of data, and reasonableness of assumptions used in the Company's impairment assessment; ▪ Evaluated the reasonableness of management's inputs and assumptions with respect to the fair value of the intangible assets; ▪ Engaged our professional with specialized skills and knowledge in the field of valuation to evaluate the methodology and assumptions used; and ▪ Assessed the overall presentation and disclosure in the consolidated financial statements.
Loss on non-consummated asset acquisition The loss on non-consummated asset acquisition required management to make significant assumptions and estimation in determining the fair value of equity instruments issued, such as discount for lack of marketability and restrictions on trading.	We determined this as a key audit matter as it represented an area of significant risk of material misstatement given the magnitude of the loss on non-consummated asset acquisition and the high degree of estimation and various inputs in determining the fair value of equity instruments issued. In addition, significant auditor judgement and knowledge were required in evaluating management's determination as non-consummated asset acquisition. We performed the following procedures: ▪ Evaluated management's assessment for determination of the non-consummated asset acquisition with a resultant loss; ▪ Tested the completeness and accuracy of data, and reasonableness of management's assumptions used in valuation of the equity instruments issued, primarily relating to discount for lack of marketability and restrictions on trading; ▪ Engaged our professional with specialized skills and knowledge in the field of valuation to evaluate the methodology and assumptions used; and ▪ Assessed the overall presentation and disclosure in the consolidated financial statements.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on March 25, 2022.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sameer Parekh.

SRCO Professional Corporation

CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

Richmond Hill, Canada
April 30, 2023

Xigem Technologies Corporation
Consolidated Statements of Financial Position
As at December 31, 2022 and 2021
(Expressed in Canadian dollars)

	Note	2022	2021
		$	$
ASSETS			
Current			
Cash		**38,313**	684,036
Indirect taxes recoverable		**94,231**	183,804
Prepaid expenses		**54,897**	4,375
Share subscription receivable		**200,000**	200,000
		387,441	1,072,215
Property and equipment	5	**227,834**	419,125
Intangible assets	6	**-**	1,318,095
		615,275	2,809,435
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**317,595**	507,239
Lease liability	7	**-**	35,862
		317,595	543,101
Lease liability	7	**-**	128,014
Deferred income tax	11	**6,873**	6,873
		324,468	677,988
SHAREHOLDERS' EQUITY			
Share capital	4, 8	**8,671,914**	5,829,812
Warrant reserve	8	**1,170,902**	1,060,646
Options reserve	8	**2,866,083**	1,431,500
Deficit		**(12,418,092)**	(6,190,511)
		290,807	2,131,447
		615,275	2,809,435
Going concern	2 (a)		
Contingencies and commitments	15		
Subsequent events	16		

On behalf of the Board:

Brian Kalish
Director

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

	Note	**2022**	2021
		$	$
EXPENSES			
Share-based payments	8, 9	**1,788,395**	1,313,000
Amortization and impairment	5, 6	**1,377,352**	222,735
Management and consulting fees	9	**228,000**	314,090
Professional fees	9	**139,391**	346,011
Public filing fees		**133,605**	217,919
Investor relations		**50,033**	979,805
Advertising and promotion		**29,684**	197,148
Insurance		**27,033**	13,125
Interest and bank charges		**5,265**	6,113
Dues and subscriptions		**3,256**	6,268
		3,782,014	3,616,214
OTHER ITEMS			
Loss on non-consummated asset acquisition	4	**2,362,322**	-
Listing expenses		**-**	173,057
Share-based listing expenses		**-**	2,229,204
Loss (gain) on debt settlement	8 (b)	**83,245**	(38,617)
		2,445,567	2,363,644
LOSS BEFORE INCOME TAXES		**(6,227,581)**	(5,979,858)
INCOME TAXES			
Current	11	**-**	-
Deferred	11	**-**	4,814
		-	4,814
NET LOSS AND COMPREHENSIVE LOSS		**(6,227,581)**	(5,984,672)
LOSS PER SHARE			
Basic	10	**(0.409)**	(0.754)
Diluted	10	**(0.409)**	(0.630)

The accompanying notes are an integral part of and should be read in conjunction with these consolidated financial statements.

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

	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)	**2,802,501**
Elimination of Xigem Technology Solutions common shares		(13,247,360)	(2,347,426)	-	-	-	**(2,347,426)**
Shares issued to Xigem Technology Solutions shareholders in connection with RTO		6,623,680	2,347,426	-	-	-	**2,347,426**
Common shares, options and warrants deemed issued in connection with RTO		860,980	1,987,104	127,200	118,500	-	**2,232,804**
Shares and warrants issued for private palcements		413,505	334,232	348,100	-	-	**682,332**
Shares for debt settlement		131,429	296,433	-	-	-	**296,433**
Shares issued on acquisition of FOOi		166,667	564,000	-	-	-	**564,000**
Common shares issued on exercise of warrants		321,500	300,617	(75,568)	-	-	**225,049**
Equity-settled shared-based payment		-	-	-	1,313,000	-	**1,313,000**
Net loss and comprehensive loss		-	-	-	-	(5,984,672)	**(5,984,672)**
Balance, as at December 30, 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	329,086	138,500	-	(118,500)	-	**20,000**
Acquisition of Cylix Data	4, 8	6,470,000	2,252,066	110,256	-	-	**2,362,322**
Equity-settled share-based compensation	8	353,125	35,312	-	1,553,083	-	**1,588,395**
Shares issued for debt settlement	8	4,162,238	416,224	-	-	-	**416,224**
Net loss and comprehensive loss		-	-	-	-	(6,227,581)	**(6,227,581)**
Balance, as at December 31, 2022		**19,832,210**	**8,671,914**	**1,170,902**	**2,866,083**	**(12,418,092)**	**290,807**

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

	Note	2022	2021
		$	$
OPERATING ACTIVITIES			
Net loss and comprehensive loss		**(6,227,581)**	(5,984,672)
Items not affecting cash:			
Loss on non-consummated asset acquisition	4	**2,362,322**	-
Share-based payments		**1,788,395**	1,313,000
Amortization and impairment	5, 6	**1,377,352**	222,735
Loss (gain) on debt settlement	8 (b)	**83,245**	(38,617)
Finance costs and other	7	**4,559**	4,606
Share-based listing expenses		**-**	2,229,204
Deferred taxes		**-**	4,814
		(611,708)	(2,248,930)
Changes in non-cash working capital balances:			
Indirect taxes recoverable		**89,573**	(176,063)
Prepaid expenses		**(50,522)**	(4,375)
Accounts payable and accrued liabilities		**(77,316)**	740,003
		(38,265)	559,565
		(649,973)	(1,689,365)
INVESTING ACTIVITIES			
Acquisition of property and equipment	5	**-**	(313,273)
Acquisition of intangible assets	6	**(15,750)**	(309,068)
		(15,750)	(622,341)
FINANCING ACTIVITIES			
Proceeds from issuance of Units		**-**	618,732
Proceeds from exercise of warrants		**-**	225,050
Proceeds from exercise of options	8	**20,000**	-
Payments on lease financing	7	**-**	(14,000)
		20,000	829,782
Change in cash		**(645,723)**	(1,481,924)
Cash, beginning of year		**684,036**	2,165,960
Cash, end of year		**38,313**	684,036
Supplementary non-cash investing and financing transactions			
Shares issued for debt settlement		**416,224**	296,433
Supplementary Information			
Interest paid		**4,559**	4,606

1. General information

Xigem Technologies Corporation ("Xigem") seeks to become a leading technology platform for the remote working economy. Using proprietary patented technology, Xigem 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.

Xigem was incorporated under the Business Corporations Act of Ontario on June 15, 2020. Xigem'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 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 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), and accordingly, the share capital and related amounts have been retroactively adjusted to account for the share consolidation.

2. Basis of preparation

a) <u>Going concern</u>

These 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 consolidated financial statements. These 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 December 31, 2022, the Company had an accumulated deficit of $12,418,092 (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 December 31, 2022, is uncertain.

To address the going concern risk, the Company continues to seek equity financing alternatives (see Note 16) 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 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 consolidated financial statements were authorized for issuance by the Board of Directors on April 27, 2023.

c) Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its controlled subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The 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 December 31, 2022 are as follows:

Name of subsidiary	Country of incorporation	Ownership percentage	Functional currency
Xigem Technology Solutions Inc.	Canada	100%	Canadian Dollar
Cylix Data Corporation	Canada	100%	Canadian Dollar

d) Basis of presentation

The 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 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.

2. Basis of preparation (cont'd)

e) Significant judgments

The preparation of the Company's 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 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 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 the consolidated statements of loss and comprehensive 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 has, by way of resolution, approved the settlement of the subscription receivable during the fiscal year ending December 31, 2023 in consideration for services provided during the current fiscal year. As such, there are no issues with the recoverability of the share subscription receivable as at December 31, 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.

2. Basis of preparation (cont'd)

f) Use of estimates and assumptions (cont'd)

v) COVID-19 (cont'd)

The duration and impact of the COVID-19 outbreak is unknown, as is the efficacy of the government and central bank interventions.

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

The Company does not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Company in future periods.

3. Significant accounting policies (cont'd)

b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined by incorporating all factors that market participants would consider in setting a price acting in their economic best interests, including commonly accepted valuation approaches.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability that is accessible by the Company.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its "highest and best use" or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a fair value basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

c) Foreign currency translation

Transactions in foreign currencies are translated into the respective functional currencies of each company of the Group at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the report date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Nonmonetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in the consolidated statements of loss and comprehensive loss.

3. Significant accounting policies (cont'd)

d) Cash

Cash comprise cash on hand, unrestricted cash, balances with banks, deposits held in trust, and short-term deposits, if any.

e) Property and equipment

Recognition and measurement

Property and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and depreciated separately. Depreciation is computed using the straight-line and declining balance methods based on the estimated useful life of the assets. Useful life is reviewed at the end of each reporting period.

After initial recognition, the cost model is applied to property and equipment. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

The Company recognizes in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the consolidated statement of loss and comprehensive loss as an expense as incurred.

Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in the consolidated statements of loss and comprehensive loss.

The estimated useful lives of property and equipment for current and comparative periods are as follows:
Leasehold improvements are amortized over 2 years. Right-of-use assets over 5 years. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

f) Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3. Significant accounting policies (cont'd)

f) Leases (cont'd)

As a lessee (cont'd)

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company presents right-of-use assets as 'property and equipment' in the consolidated statements of financial position.

The Company applies IAS 36 Impairment to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'property and equipment' policy.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

3. Significant accounting policies (cont'd)

f) Leases (cont'd)

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

g) Intangible assets

Intangible assets, including patents, licenses and trademarks that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

The estimated useful life for licenses and trademarks has been revised to 2 years. As a result, amortization has been accelerated and totaled $683,017 instead of $273,207. Amortization is calculated to write of the intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognized in the consolidated statements of loss and comprehensive loss. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate. Intangible assets not yet available for intended use are not subject to amortization.

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

- the 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.

The expenditure capitalized includes the cost of materials, direct labor and an appropriate proportion of overheads. Other development expenditure is recognized in the consolidated statement of loss and comprehensive loss as an expense as incurred. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses.

h) 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, the Company 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.

3. Significant accounting policies (cont'd)

h) Impairment of non-financial assets (cont'd)

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 the consolidated statements of loss and comprehensive 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.

i) 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. The Company 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.

j) Recognition and measurement of financial assets and liabilities

Financial assets include cash and share subscription receivable. Financial liabilities include accounts payable and accrued liabilities. The Company 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.

The fair value of other assets and accounts payable and certain other liabilities are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

Financial assets and financial liabilities are recognized when the Company 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.

3. Significant accounting policies (cont'd)

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

The following table outlines the financial assets and liabilities and their classification of those values:

Financial instrument	Classification
Financial assets:	
Cash	Amortized cost
Share subscription receivable	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost

Financial assets

The Company'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 or 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 the consolidated statements of loss and comprehensive loss. Any gain or loss on derecognition is recognized in the consolidated statements of loss and comprehensive 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 the consolidated statements of loss and comprehensive loss. Other net fair value gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated statements of loss and comprehensive 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 the consolidated statements of loss and comprehensive 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 the consolidated statements of loss and comprehensive loss. Regular way transactions are recorded on a trade date basis.

3. Significant accounting policies (cont'd)

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

Financial assets (cont'd)

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 the consolidated statements of loss and comprehensive loss unless they are derivative instruments designated in an effective hedging relationship.

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 the consolidated statements of loss and comprehensive loss. Any gain or loss on derecognition is recognized in the consolidated statements of loss and comprehensive 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 the consolidated statements of loss and comprehensive loss unless they are derivative instruments designated in an effective hedging relationship.

k) Derecognition and measurement of financial assets and liabilities

Financial assets

The Company 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 the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company 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 the consolidated statements of loss and comprehensive loss.

3. Significant accounting policies (cont'd)

l) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented on the consolidated statement of financial position, only when the Company 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.

m) Impairment of financial assets

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

Loss allowances for trade receivables and contract assets are always measured at an amount equal to the lifetime ECLs.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets and the Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities to comply with the Company'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. The Company applies the simplified approach which uses lifetime ECLs for accounts receivable and other receivables.

n) Income taxes

The Company is subject to tax under *Part I* of the *Income Tax Act of Canada* and is subject to the general rate applicable to Canadian corporations. Current and deferred taxes are recognized in the consolidated statements of loss and comprehensive loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive loss or directly in equity, respectively.

Current income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in Canada, where the Company and its subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, based on amounts expected to be paid to the tax authorities.

3. Significant accounting policies (cont'd)

n) Income taxes (cont'd)

Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

o) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Preferred shares are classified as equity if it is non-redeemable or redeemable only at the Company's option and dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval of the Company's shareholders.

p) Share-based compensation

Where equity instruments are granted to employees, they are recorded at the fair value of goods and services received in the statement of loss and comprehensive loss. The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. When the value of goods and services received in exchange for the share-based payment cannot be reliably estimated, the goods or services received are measured, indirectly, by reference to the fair value of equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

q) Financial derivatives – warrants

A financial derivative such as a warrant that will be settled with the issuing of the Company's equity instruments will be classified as an equity instrument if the derivative is used to acquire a fixed number of the Company's equity instruments for a fixed amount of Canadian dollars.

A financial derivative will be considered as a financial liability at fair value through the consolidated statements of loss and comprehensive loss if it is used to acquire either a variable number of equity instruments or consideration in a foreign currency, and the warrants were not offered pro-rata to all existing owners of the same class of non-derivative equity instruments.

The fair value of warrants is determined upon their issuance either as part of private placements or in settlement of issuance costs and finders fees, using the Black-Scholes model. All such warrants are classified in warrant reserve, within equity. If the warrants are converted, the value attributable to the warrants is transferred to common share capital. Upon expiry, the amounts recorded for expired warrants is transferred to equity from the warrant reserve. Shares are issued from treasury upon the exercise of share purchase warrants.

3. Significant accounting policies (cont'd)

r) Loss per share

The basic loss per common share is calculated by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted net loss per common share is calculated by dividing the applicable net loss by the sum of the weighted average number of common shares outstanding and all additional shares that would have been outstanding if potentially dilutive common shares had been issued during the year.

The dilutive effect of shares on net comprehensive loss per share is calculated by determining the proceeds for the exercise of such securities, which are then assumed to be used to purchase common shares of the Company. Instruments that would be anti-dilutive are not included in the calculation of diluted loss per share.

s) Acquisitions

The Company assesses whether an acquisition should be accounted for as an asset acquisition or a business combination under International Financial Reporting Standard 3 – Business Combinations ("IFRS 3"). This assessment requires management to make judgements on whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business and the Company obtains control of the business inputs and processes.

4. Loss on non-consummated asset 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.

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date where the Company obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date's fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Acquisition costs are expensed to the consolidated statements of loss and comprehensive loss.

Acquisitions that do not meet the definition of a business combination are accounted for as an asset acquisition. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values.

Upon completion of concentration test, management treated this transaction as an asset acquisition as substantially all of the fair value of the gross assets are concentrated in a single identifiable asset or group of similar identifiable assets.

4. Loss on non-consummated asset acquisition (cont'd)

a) Background (cont'd)

The acquisition of the Cylix assets for an aggregate consideration of $2,362,322, has been settled through the issuance of 6,470,000 units ("Purchaser Units"), 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. The securities issued under the Transaction are subject to contractual restrictions on trading, such that 50% may not be traded until six months after the closing of the Transaction, and the remaining 50% may not be traded until 12 months after the closing.

In accordance with IFRS 2, the Company measures equity-settled share-based payment transactions at the fair value of the goods or services received, unless that fair value cannot be estimated reliably in which case these are measured at the fair value of the equity instruments granted. On January 24, 2022, the fair value of common shares was estimated at $0.365 per share after applying a discount for lack of marketability, discount factor for restrictions to the market price of the shares.

b) Events during the year

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 and treating the transaction as not consummated.

As a result, Xigem recorded a loss on the non-consummated acquisition of the assets of Cylix of $2,362,322 and has had to recognize an impairment of the Cylix asset on its consolidated statement of financial position. The Company is currently pursuing resolution with the vendor of the Cylix asset.

As a result, for the year ended December 31, 2022, the Company recognized a loss that represented the entire amount of purchase consideration of $2,362,322 in the consolidated statement of loss and comprehensive loss while recognizing the effect of issuance of Purchaser Units on the consolidated statement of changes in equity.

c) Events subsequent to the year

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 consolidated financial statements, unable 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 stage. Management intends to vigorously pursue its rights in connection with the APA.

It is management's view that, considering recent developments concerning the vendor of Cylix, neither returning the Purchaser Units to treasury nor cancelling the Purchaser Units is a likely or probable outcome at this time.

(Expressed in Canadian dollars)

5. Property and equipment

	Right-of-use asset	Leasehold improvements	Total
	$	$	**$**
Cost			
Balance at December 31, 2020	-	-	**-**
Additions	173,270	313,273	**486,543**
Balance at December 31, 2021	173,270	313,273	**486,543**
Additions	-	-	**-**
Balance at December 31, 2022	173,270	313,273	**486,543**
Accumulated amortization			
Balance at December 31, 2020	-	-	**-**
Amortization	23,494	43,924	**67,418**
Balance at December 31, 2021	23,494	43,924	**67,418**
Amortization	34,654	156,637	**191,291**
Balance at December 31, 2022	58,148	200,561	**258,709**
Carrying amounts			
At December 31, 2021	149,776	269,349	**419,125**
At December 31, 2022	**115,122**	**112,712**	**227,834**

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. The useful life of leasehold improvements has been revised from 5 years to 2 years.

6. Intangible assets

	Licences and trademarks	Software	Total
	$	$	**$**
Cost			
Balance at December 31, 2020	625,000	6,740	**631,740**
Additions	-	866,328	**866,328**
Balance at December 31, 2021	625,000	873,068	**1,498,068**
Additions	15,750	-	**15,750**
Write-down	-	(147,784)	**(147,784)**
Balance at December 31, 2022	640,750	725,284	**1,366,034**
Accumulated amortization			
Balance at December 31, 2020	24,657	-	**-**
Amortization	125,000	30,316	**-**
Balance at December 31, 2021	149,657	30,316	**179,973**
Amortization and impairment losses	491,093	694,968	**1,186,061**
Balance at December 31, 2022	640,750	725,284	**1,366,034**
Carrying amounts			
At December 31, 2021	475,343	842,752	**1,318,095**
At December 31, 2022	**-**	**-**	**-**

The useful life of licences, trademarks, and software has been revised from 5 years to 2 years.

(Expressed in Canadian dollars)

6. Intangible assets (cont'd)

The Company periodically reassess the estimated economic life and the recoverability of the capitalized software costs. If the Company determines that the capitalized amounts are not recoverable based on the expected net cash flows to be generated from sales of the applicable software solutions, the amount by which the unamortized capitalized costs exceed the net realizable value is written-down as a charge to the consolidated statements of operations and comprehensive loss.

On December 31, 2022, the Company performed an assessment of the carrying value of the intangibles and recorded an impairment primarily due to the inability of the business to meet its initial revenue and cash flow projections.

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% per annum, 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, 2020	**-**
Additions	**173,270**
Interest expense	**4,606**
Payments	**(14,000)**
Balance at December 31, 2021	**163,876**
Additions	**-**
Interest expense	**4,559**
Settlement	**(168,435)**
Less: current portion	**-**
Balance at December 31, 2022	**-**

8. Equity

a) Authorized

Unlimited	Common shares, no par value.
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.

(Expressed in Canadian dollars)

8. Equity (cont'd)

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		860,980	1,987,104
Shares and warrants issued for private palcements		413,505	334,232
Shares for debt settlement		131,429	296,433
Shares issued on acquisition of FOOi		166,667	564,000
Common shares issued on exercise of warrants		321,500	300,617
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	2,252,066
Equity-settled share-based compensation		353,125	35,312
Shares issued for debt settlement		4,162,238	416,224
Balance, December 31, 2022		**19,832,210**	**8,671,914**

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).

During the year ended December 31, 2022, the Company issued 4,515,363 common shares to settle $332,979 of debts related to lease and other services received by the Company and professional fee expense in the amount of $35,312. The fair value of shares was determined by using market price at the date of issuance. $332,979 was recorded as a reduction of accounts payable and lease liability in the consolidated statement of financial position and $35,312 was recorded in share-based payments and $83,245 in loss on settlement of debt in the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian dollars)

8. Equity (cont'd)

c) Warrants

As at December 31, 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	0.70
Warrants brought forward at exchange ratio		(2,811,840)	0.70
Acquired in RTO		20,566	1.51
Issued for private placement		411,905	2.30
Issued for services		374,798	0.40
Exercised		(321,500)	0.70
Cancelled/Expired		(2,510,340)	0.70
Balance, December 31, 2021		787,269	0.70
Warrants issued for acquisition of Cylix Data	4	924,286	6.00
Expired		(20,566)	1.52
Balance, December 31, 2022		**1,690,989**	**3.89**

The following table reflects the warrants issued and outstanding as at December 31, 2022:

	Warrants outstanding			Warrants exercisable	
Expiry date	Number outstanding	Average exercise price	Average remaining contractual life (years)	Weighted number exercisable	Weighted number exercisable price
20-Sep-23	329,060	$ 0.06	0.72	329,060	$ 0.06
24-Jan-24	924,286	$ 6.00	1.07	924,286	$ 6.00
1-Jun-24	437,643	$ 2.30	1.42	437,643	$ 2.30
	1,690,989	**$ 3.89**	**1.12**	**1,690,989**	**$ 3.89**

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 entitled 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 $2,252,066 and $110,256, 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).

(Expressed in Canadian dollars)

8. Equity (cont'd)

c) Warrants (cont'd)

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

		Options		Warrants
Fair value	$	0.85-1.87	$	0.125
Share price	$	0.90-1.95	$	0.37
Exercise price	$	0.90-1.95	$	6.00
Expected volatility		175%-180%		165%
Expected life		5.00		2.00
Expected dividends		-		-
Risk-free interest rate		1.67-2.63%		1.24%

Expected volatility has been based on an evaluation of historical trend of the Company's stock performance. The expected term of the instruments has been based on management's experience and general holder behavior. As at December 31, 2022, 321,500 warrants were exercised, and the weighted average remaining contractual lives of the warrants was 1.37 years.

d) Options

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

An aggregate of 442,500 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 (total of 329,060 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.

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

On July 27, 2022, the Company cancelled 1,280,000 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.

The outstanding stock options as at December 31, 2022 are as follows:

	December 31, 2022	December 31, 2021
Opening # of options	**771,560**	-
Granted during the year	**1,280,000**	791,560
Exercised during the year	**(329,060)**	-
Cancelled/forfeited during the year	**(1,722,500)**	(20,000)
Closing # of options	**-**	771,560

(Expressed in Canadian dollars)

8. Equity (cont'd)

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, 2022 and 2021:

	December 31, 2022	December 31, 2021
	#	#
Common shares outstanding	**19,832,210**	8,517,765
Warrants to purchase common shares	**1,690,989**	787,269
Options to purchase common shares	**-**	771,560
Maximum share dilution	**21,523,199**	10,076,593

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 are as follows: Chief Executive Officer, Chief Financial Officer, Chief Technical Officer.

	2022	2021
	$	$
Share based payments	**1,753,083**	987,229
Management and consulting fees incurred	**228,000**	302,190
Management / consulting fees, in accounts payable	**17,180**	11,900
	1,998,263	1,301,319

During the year ended December 31, 2022, all issued options were cancelled (Note 8), including the share-based payments identified in the table above. Share based payments composed of stock options in the amount of $1,553,083 and cash-settled share based compensation in the amount of $200,000 that was accrued and included in accounts payable and accrued liabilities.

(Expressed in Canadian dollars)

10. Loss per share

	Note	2022	2021
		$	$
Net loss attributable to shareholders		**(6,227,581)**	(5,984,672)
Weighted-average common shares outstanding:			
Basic		**15,225,061**	7,935,938
Dilutive (antidilutive) effect of warrants		**-**	787,269
Dilutive effect of stock options	8(d)	**-**	771,560
Diluted		**15,225,061**	9,494,767
Net loss per share attributable to shareholders:			
Basic		**(0.409)**	(0.754)
Diluted		**(0.409)**	(0.630)

11. Income taxes

a) Income tax expense

The following table reconciles the income taxes calculated at the combined Canadian federal and provincial tax rates with the income tax expense as recognized in the statement of loss and comprehensive loss:

	2022	2021
	$	$
Loss before income taxes	**(6,227,581)**	(5,979,858)
Statutory rate	**26.50%**	26.50%
Expected tax recovery	**(1,650,309)**	(1,584,663)
Increase (decrease) in income tax expense due to:		
Permanent differences	**1,466,146**	429,379
Temporary differences	**(9,376)**	(20,270)
Change in deferred income tax asset not recognized	**193,539**	1,180,368
Income tax expenses (recovery)	**-**	4,814

b) Deferred income taxes

The temporary differences that give rise to deferred income tax assets and liabilities are presented below:

	2022	2021
	$	$
Capital assets	**25,937**	59,333
Share issuance costs	**14,385**	19,240
Non-capital loss carried forward	**1,392,773**	1,160,983
Deferred tax asset (liability)	**1,433,095**	1,239,556
Less: deferred tax assets not recognized	**(1,439,968)**	(1,246,429)
Deferred Tax Asset (Liability)	**(6,873)**	(6,873)

(Expressed in Canadian dollars)

11. Income taxes

c) Tax losses carried forward

The Company has non-capital loss carryforwards for income tax purposes of $5,111,406, which will expire in 2042. These losses may be available to reduce taxable income in future years. The potential benefit of these losses has not been recognized in the financial statements as deferred income tax assets.

12. 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 December 31, 2022:

	FVTPL - mandatorily measured	**FVOCI - mandatorily measured**	**FVOCI - designated**	**Amortized cost**
	$	$	$	$
Financial assets:				
Cash	**-**	**-**	**-**	**38,313**
Share subscription receivable	**-**	**-**	**-**	**200,000**
Carrying value at December 31, 2022	**-**	**-**	**-**	**238,313**
Financial liabilities:				
Accounts payable and accrued liabilities	**-**	**-**	**-**	**317,595**
Carrying value at December 31, 2022	**-**	**-**	**-**	**317,595**

As at December 31, 2021:

	FVTPL - mandatorily measured	FVOCI - mandatorily measured	FVOCI - designated	Amortized cost
	$	$	$	$
Financial assets:				
Cash	-	-	-	684,036
Share subscription receivable	-	-	-	200,000
Carrying value at December 31, 2021	-	-	-	884,036
Financial liabilities:				
Accounts payable and accrued liabilities	-	-	-	507,239
Lease liability	-	-	-	163,876
Carrying value at December 31, 2021	-	-	-	671,115

12. Financial instruments (cont'd)

b) Transfers

For years ended December 31, 2022, and 2021, there have been no transfers between Level 1, Level 2, and Level 3.

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 $317,595 as at December 31, 2022 (December 31, 2021 – $543,101), for which the Company has cash of $38,313 on hand to satisfy its liabilities as at December 31, 2022 (December 31, 2021 – $684,036). There have been no changes to the method for managing liquidity risk.

iii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

12. Financial instruments (cont'd)

c) Financial risk management (cont'd)

iv) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Company is mainly exposed to interest rate and currency risk.

13. 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.

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 years ended December 31, 2022 and 2021.

14. 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.

15. 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.

15. Contingencies and commitments (cont'd)

a) Contingencies (cont'd)

The Company has formally delivered its statement of defense on April 20, 2022. As of the date of these consolidated financial statements, Lumbermens' civil action against Xigem has been dormant for over 12 months. 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 December 31, 2022, aggregate amount of $Nil (December 31, 2021 – $302,328) has been included in accounts payable and accrued liabilities with respect to management services as per the agreement.

16. Subsequent events

a) Acquisition of SaaS, EAFdigital Inc.

On November 24, 2022, the Company entered into a letter of intent to acquire substantially all of the assets of EAFdigital Inc. ("EchoDigital"), 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.

On February 24, 2023, the Company closed the acquisition of "EchoDigital". The Company purchased substantially all of the assets of EchoDigital from EAF Group of Companies for aggregate consideration of 8,924,495 common shares. Based on the closing price of the Company's common shares on February 24, 2023, the EchoDigital's shares were valued at $892,450.

On March 8, 2023, the Company announced that it had closed its acquisition of substantially all of the assets of EchoDigital.

During April of 2023, the Company learned that an EAF GROUP member received a temporary suspension of their dealer's license which will adversely impact EAF GROUP's ability to transact sales in the normal course of business until the suspension is lifted or EAF GROUP is able to make other arrangements. As a result, this suspension will adversely impact EchoDigital's royalty revenues until the situation is remedied. The Company will continue to monitor the situation.

b) Stock options

On January 5, 2023, the Company has issued 1,820,000 incentive stock options (the "Options") pursuant to its Stock Option Plan. The Options had been granted to several of the Company's directors, officers, consultants, and advisory board members. The Options have a strike price of $0.09/share with expiry date on January 5, 2028.