AMPD VENTURES INC.

Consolidated Financial Statements

For the years ended May 31, 2022 and 2021

Expressed in Canadian Dollars

AMPD VENTURES INC.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AMPD Ventures Inc.

Opinion

We have audited the consolidated financial statements of AMPD Ventures Inc. (the "Company"), which comprise the consolidated statement of financial position as at May 31, 2022 and 2021 and the consolidated statement of changes in equity, loss and comprehensive loss and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, 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 Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

October 3, 2022

MOORE

An independent firm
associated with Moore
Global Network Limited

AMPD VENTURES INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes		**May 31, 2022**		May 31, 2021
ASSETS					
Cash		**$**	**1,134,157**	$	1,608,342
Receivables	5		**843,199**		268,300
Inventory			**29,966**		16,333
Digital currencies	6		**9,096**		-
Prepaids and deposits			**471,751**		126,680
			2,488,169		2,019,655
Investments	7		**326,480**		-
Long-term deposits			**-**		15,793
Goodwill	4		**657,427**		-
Property and equipment	8		**3,807,857**		903,623
		$	**7,279,933**	$	2,939,071
LIABILITIES					
Trades payable and accrued liabilities	9,14	**$**	**1,217,747**	$	351,855
Convertible debt	10		**-**		347,174
Lease liability, current	11,17		**997,184**		230,797
Finance loan, current	17		**17,627**		123,000
			2,232,558		1,052,826
Lease liabilities, long term	11,17		**750,813**		88,759
Government loan	12		**113,228**		51,248
			3,096,599		1,192,833
SHAREHOLDERS' EQUITY					
Share capital	13		**20,109,609**		11,339,133
Reserves	13		**3,946,928**		3,169,119
Foreign currency translation			**3,591**		(466)
Deficit			**(19,869,273)**		(12,761,548)
Equity attributable to owners of the Company			**4,190,854**		1,746,238
Equity attributable to non-controlling interest	15		**(7,521)**		-
			4,183,334		1,746,238
		$	**7,279,933**	$	2,939,071

Nature and continuance of business (Note 1)
Commitments (Note 17)
Subsequent events (Note 23)

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

Approved on behalf of the board of directors:

"Anthony Brown"
Anthony Brown, Director

"Howard Donaldson"
Howard Donaldson, Director

AMPD VENTURES INC.
Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)

		Share Capital								
		Number of Common Shares (#)	Amount ($)	Reserves ($)	Equity component of convertible notes ($)	Foreign currency translation adjustment ($)	Deficit ($)	Total ($)	Non-controlling interest (Note 15) ($)	Total Shareholders' Equity ($)
Balance at May 31, 2020		**41,266,340**	**8,290,127**	**2,165,493**	**27,963**	**5,798**	**(9,482,355)**	**1,007,026**	**-**	**1,007,026**
Shares issued for cash	13	15,908,166	2,670,050	-	-	-	-	2,670,050	-	2,670,050
Share issuance costs	13	-	(73,325)	29,712	-	-	-	(43,613)	-	(43,613)
Shares issued on debt settlement	11,13	1,540,000	277,200	174,288	-	-	-	451,488	-	451,488
Exercise of options	13	500,000	175,081	(174,781)	-	-	-	300	-	300
Share-based compensation	13	-	-	946,444	-	-	-	946,444	-	946,444
Foreign exchange translation		-	-	-	-	(6,264)	-	(6,264)	-	(6,264)
Net loss for the year		-	-	-	-	-	(3,279,193)	(3,279,193)	-	(3,279,193)
Balance at May 31, 2021		**59,214,506**	**11,339,133**	**3,141,156**	**27,963**	**(466)**	**(12,761,548)**	**1,746,238**	**-**	**1,746,238**
Exercise of warrants	13	3,442,654	738,961	(174,782)	-	-	-	564,179	-	564,179
Shares issued for cash	13	23,139,663	6,941,899	-	-	-	-	6,941,899	-	6,941,899
Share issuance costs	13	-	(372,301)	175,977	-	-	-	(196,324)	-	(196,324)
Shares issued for acquisitions	4,13	5,358,196	1,611,917	-	-	-	-	1,611,917	-	1,611,917
Shares returned to treasury	13	(500,000)	(150,000)	-	-	-	-	(150,000)	-	(150,000)
Share-based compensation	13	-	-	776,614	-	-	-	776,614	-	776,614
Foreign exchange translation		-	-	-	-	4,057	-	4,057	-	4,057
Net loss for the year		-	-	-	-	-	(7,107,725)	(7,107,725)	(7,521)	(7,115,246)
Balance at May 31, 2022		**90,655,019**	**20,109,609**	**3,918,965**	**27,963**	**3,591**	**(19,869,273)**	**4,190,855**	**(7,521)**	**4,183,334**

The accompanying notes form an integral part of these consolidated financial statements

AMPD VENTURES INC.

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

	Note		**2022**		2021
Sales	18,19	**$**	**3,229,702**	$	1,549,741
Cost of Services			**2,136,953**		572,671
GROSS PROFIT			**1,092,749**		977,070
Expenses					
Advertising and promotion			**104,692**		66,777
Amortization	8		**976,693**		644,566
Bank charges			**8,334**		8,135
Data center costs			**446,624**		247,250
Directors fees	14		**36,000**		12,000
Dues and subscriptions			**40,128**		3,253
Insurance	17		**58,017**		42,670
Investor relations			**202,942**		-
Office and miscellaneous			**288,631**		203,401
Professional fees			**373,735**		361,893
Regulatory and transfer agent fees			**40,948**		27,472
Salaries and consulting fees	14		**3,088,971**		1,444,871
Share based compensation	13,14		**776,614**		946,444
Travel and entertainment			**159,344**		7,634
			6,601,673		4,016,366
NET LOSS BEFORE OTHER ITEMS			**(5,508,924)**		(3,039,296)
Other items					
Foreign exchange gain (loss)			**18,706**		(5,196)
Interest expense and finance costs	10,11,12,17		**(163,768)**		(107,861)
Interest and other income			**33,930**		16,648
Realized loss on digital currency transactions	6		**(24,404)**		-
Acquisition expense	13(b)(i)		**(1,399,086)**		-
Loss on sales of equipment			**(71,700)**		-
Loss on debt settlement	13		**-**		(143,488)
			(1,606,322)		(239,897)
NET LOSS FOR THE YEAR			**(7,115,246)**		(3,279,193)
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Foreign currency translation adjustment			**4,057**		(6,264)
			4,057		(6,264)
NET AND COMPREHENSIVE LOSS FOR THE YEAR		**$**	**(7,111,189)**	$	(3,285,457)
Net loss for the year attributable to:					
Owners of the parent		**$**	**(7,107,725)**	$	(3,279,193)
Non-controlling interest	15		**(7,521)**		-
		$	**(7,115,246)**	$	(3,279,193)
Comprehensive loss for the year attributable to:					
Owners of the parent		**$**	**(7,103,668)**	$	(3,285,457)
Non-controlling interest	15		**(7,521)**		-
		$	**(7,111,189)**	$	(3,285,457)
Loss per common share					
-basic and diluted		**$**	**(0.09)**	$	(0.07)
Weighted average number of common shares outstanding					
-basic and diluted			**75,850,086**		47,366,119

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

AMPD VENTURES INC.

Consolidated Statements of Cash Flows
For the years ended May 31, 2022 and 2021
(Expressed in Canadian Dollars)

		2022		2021
Cash provided by (used in):				
Operating:				
Net loss for the year	**$**	**(7,115,246)**	$	(3,279,193)
Items not involving cash:				
Accrued interest and finance costs		**137,914**		105,673
Amortization		**976,693**		644,566
Other income		**(10,835)**		(12,685)
Share-based compensation		**776,614**		946,444
Loss on debt settlement		**-**		143,488
Acquisition expense		**1,399,086**		-
Realized loss on digital currency transactions		**24,404**		-
Loss on sale of equipment		**71,700**		-
Unrealized foreign exchange loss		**3,868**		-
		(3,735,802)		(1,451,707)
Changes in non-cash operating working capital items:				
Receivables		**(556,272)**		67,237
Prepaid expenses and deposits		**(329,279)**		(114,115)
Inventory		**(13,633)**		(16,333)
Accounts payable and accrued liabilities		**852,339**		(41,897)
Deferred revenue		**-**		(39,022)
		(3,782,647)		(1,595,837)
Investing				
Acquisition of equipment		**(2,586,716)**		(79,723)
Acquisition of Cloud A		**(311,247)**		-
Acquisition of Departure Lounge		**(54,469)**		-
Net cash received from Cloud A acquisition		**45,045**		-
Proceeds on sale of assets		**649,712**		-
Purchases of digital currencies		**(33,500)**		-
Investments		**(326,480)**		-
		(2,617,655)		(79,723)
Financing				
Proceeds from issuance of shares, net		**7,159,755**		2,626,737
Proceeds from loan financings		**44,695**		-
Lease payments		**(705,985)**		(76,063)
Loan and finance repayments		**(347,174)**		(259,169)
Government loan		**-**		60,000
Loans payable		**(229,231)**		-
		5,922,060		2,351,505
Effect of foreign exchange on cash flows		**4,057**		(6,264)
Change in cash during the year		**(474,185)**		669,681
Cash, beginning of year		**1,608,342**		938,661
Cash, end of year	**$**	**1,134,157**	$	1,608,342

Supplemental cash flow information (Note 20)

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

1. NATURE AND CONTINUANCE OF BUSINESS

AMPD Ventures Inc. (the "Company") was incorporated under the laws of the Province of British Columbia on June 27, 2018.

The Company's head office and principal address is located at #210-577 Great Northern Way, Vancouver, BC, V5T 1E1. The registered and records office is suite 2900-550 Burrard Street, Vancouver, BC, V6C 0A3.

The Company's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "AMPD". On November 4, 2019, the Company's common shares were listed on the Frankfurt Exchange trading under the symbol "2Q0". On July 1, 2021, the Company commenced trading on the OTCQB under the symbol "AMPDF".

The Company is a technology company that builds high performance computing and cloud infrastructure to service the needs of companies with low-latency applications, including multiplayer video games and eSports, next-gen digital media production, and big data analysis, collection, and visualization.

On October 11, 2019, the Company (formerly E-Gaming Ventures Corp.) ("E-Gaming Ventures") completed a reverse takeover (the "RTO") with AMPD Holdings Corp., ("AMPD"), a private company incorporated under the Canada Business Corporations Act and its wholly owned subsidiary, AMPD Game Technologies US Inc., ("AMPD US"). The Company acquired 100% of the issued and outstanding common shares of AMPD (the "Transaction") resulting in AMPD becoming a wholly-owned subsidiary of the Company.

On June 2, 2021, the Company completed the acquisition of Cloud-A Computing Inc. ("Cloud-A"), a self-service cloud computing company, by acquiring all of the issued and outstanding shares of Cloud-A from Cloud-A shareholders (Note 4).

On June 17, 2021, the Company acquired all of the issued and outstanding shares of AMPD US from AMPD and changed AMPD US's name to AMPD Technologies (US) Inc. In addition, AMPD Holdings Corp. changed its name to AMPD Technologies (Canada) Inc.

On July 13, 2021, the Company incorporated a subsidiary, AMPD Technologies (Europe) Limited ("AMPD Europe"), under the laws of Dublin, Ireland.

On December 15, 2021, the Company completed the Share Purchase Agreement with Departure Lounge Inc. ("Departure Lounge") and its shareholders to acquire all of the issued and outstanding shares of Departure Lounge (the "Acquisition"). Departure Lounge is a Vancouver, BC-based company pursuing various technology and content initiatives related to the development of the Metaverse. Departure Lounge has a controlling interest of 70% in 1310675 B.C. Ltd. ("1310675BC") (Note 13(b)(i) and 14).

1. NATURE AND CONTINUANCE OF BUSINESS (cont'd)

These consolidated financial statements have been prepared on the basis of a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on being able to raise the necessary funding to continue operations, through public equity, debt financings, joint arrangements and other contractual arrangements, or being able to operate profitably in the future. The Company has incurred losses since inception and as at May 31, 2022 has working capital of $255,611 (May 31, 2021 – $966,829) and an accumulated deficit of $19,869,273 (May 31, 2021 - $12,761,548). There is no assurance that additional funding will be available on a timely basis or on terms acceptable to the Company. If the Company is unable to obtain sufficient funding, the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles as a going concern will be in doubt. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities which might be necessary should the Company be unable to continue in existence. Such adjustments could be immaterial.

Further, in March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the pandemic's impact on its business, results of operations, financial position and cash flows in the future.

2. BASIS OF PRESENTATION

These financial statements were authorized for issue on October 3, 2022 by the directors of the Company.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation and consolidation

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3.

These consolidated financial statements include accounts of the Company and its wholly-owned subsidiaries, AMPD, AMPD US, AMPD Europe, Cloud-A, and Departure Lounge. In addition, Departure Lounge has 70% interest in 1310675BC. Inter-company transactions and balances are eliminated upon consolidation.

2. BASIS OF PRESENTATION (cont'd)

Basis of preparation and consolidation (cont'd)

Subsidiaries are corporations in which the Company is able to control the financial operating, investing and financing activities and policies, which is the authority usually connected with holding majority voting rights. The consolidated financial statements include the accounts of the Company and its controlled entities from the date on which control was acquired. The subsidiaries use the same reporting period and the same accounting policies as the Company.

All significant inter-company balances and transactions have been eliminated on consolidation.

Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

The preparation of these consolidated financial statements requires management to make judgments regarding going concern of the Company as discussed in Note 1.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Share-based payments
The Company uses the Black-Scholes Option Pricing Model to determine the fair value of options and warrants in order to calculate share-based payments expense and the fair value of agent warrants. The Black-Scholes Option Pricing Model involves six key inputs to determine fair value of an option: risk-free interest rate, exercise price, market price at date of issue, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates that involve considerable judgment and are or could be affected by significant factors that are out of the Company's control. The Company is also required to estimate the future forfeiture rate of options based on historical information in its calculation of share-based payments expense.

Recognition and valuation of deferred tax assets
The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reversed deferred tax liabilities where deferred tax assets have been recognized.

2. BASIS OF PRESENTATION (cont'd)

***Significant accounting judgements, estimates and assumptions** (cont'd)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of estimated discounts. The Company considers the terms of the sales contracts as well as industry practices, taking into consideration the type of customer, the estimated time required on each project and the specific circumstances of each arrangement. Revenue recognized is limited to the amount of revenue that can be reliably measured and to the extent that it is probable that future economic benefits will flow to the Company.

Comprehensive income (loss)
Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of loss. For the years ended May 31, 2022 and 2021, other comprehensive income is related to the effects of currency translation adjustments.

Business combination
Considerable judgment is required to determine whether a set of assets acquired and liabilities assumed constitute a business and may require the Company to make certain judgments, taking into account all facts and circumstances. A business consists of inputs, including non-current assets and processes, including operational processes that when applied to those inputs have the ability to create outputs and provide a return to the Company and its shareholders.

In business combinations, it generally requires time to obtain the information necessary to identify and measure the following as of the acquisition date:

a) The identifiable assets acquired and liabilities assumed;
b) The consideration transferred in exchange for an interest in the acquiree; and
c) The resulting goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, the Company will retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Company will also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date.

2. BASIS OF PRESENTATION (cont'd)

Significant accounting judgements, estimates and assumptions *(cont'd)*

Estimates of useful lives of property and equipment
Management's judgment involves consideration of intended use, industry trends and other factors in determining the expected useful lives of depreciable assets and to determine depreciation methods.

Leases
The Company applies judgment to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Company is reasonably certain to exercise such options will impact the lease term, which significantly impacts the amount of lease liabilities and right-of-use assets recognized.

Cash generating units and impairment of non-financial assets
Judgment is required to assess the Company's determination of cash generating units ("CGU") for the purpose of impairment testing. The process to calculate the recoverable amount of a cash generating unit requires use of valuation methods such as the discounted cash flow method which uses assumptions of key variables including future cash flows, discount rate and terminal growth rates.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The consolidated financial statements of the Company are presented in CAD dollars.

The individual financial statements of each subsidiary are presented in its functional currency, the currency of the primary economic environment in which the entity operates. The functional currency for the Company, AMPD, Cloud-A, Departure Lounge, and 1310675BC is the Canadian dollar, the functional currency for AMPD US is the US dollar, and the functional currency for AMPD Europe is the Euros.

Transactions in currencies other than the entity's functional currency are translated at the exchange rates in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of the exchange in effect as at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities. Foreign currency differences arising on translation are recognized in profit or loss. When converting to presentation currency, all resulting exchange gains or losses are recognized as a foreign currency translation adjustment and included as a separate component of equity, Accumulated Other Comprehensive Loss ("AOCI").

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial assets	
Cash	FVTPL
Receivables	Amortized cost
Investments	FVTPL

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments

Financial liabilities	
Trade payables	Amortized cost
Convertible debt	Amortized cost
Lease liabilities	Amortized cost
Finance loans	Amortized cost
Government loan	Amortized cost

The Company classifies its financial assets in one of the following categories: (1) at fair value through profit or loss ("FVTPL"), (2) at amortised cost or (3) at fair value through other comprehensive income ("FVTOCI"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of (loss) income in the period in which they arise.

Amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

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 the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

The Company's financial instruments at May 31, 2022 are as follows:

	Level 1	*Level 2*	*Level 3*
Financial assets			
Cash	$ 1,134,157	$ –	$ –
Receivables	$ –	$ 843,199	$ –
Investments	$ –	$ 326,480	$ –
Financial liabilities			
Trade payables	$ –	$ 1,157,747	$ –
Lease liabilities	$ –	$ 1,747,997	$ –
Finance loan	$ –	$ 17,627	$ –
Government loan	$ –	$ 113,228	$ –

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

i) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments *(cont'd)*

ii) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
iii) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

Cash deposits have been measured at fair value using Level 1 inputs. The carrying value of receivables, trade payables, loans payable, and convertible debt approximate their fair value because of the short-term nature of these instruments or their ability of prompt liquidation.

Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and accumulated impairment write-downs. These assets are depreciated over the estimated useful lives as follows:

Equipment:		
Computer equipment	-	55% declining balance
Data centre equipment	-	3 year straight line
Production and metastage equipment	-	5 year straight line
Software	-	5 year straight line
Right of use assets:		
Office and data centre leases	-	Term of lease

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment to determine whether there is an indication of impairment. If any such indication exists, the extent of the impairment charge is determined based on the estimated recoverable amount of the asset.

The recoverable amount of the asset used for this purpose is the higher of the fair value less costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assignments of the time value of money and the risks specific to the asset.

If the recoverable amount of the asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the statement of loss and comprehensive loss, unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset when it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably. There were no provisions recorded for the years presented in these consolidated financial statements.

Revenue recognition

The Company sells computer hardware and software and provides technological services to customers in the United States of America and Canada. The Company follows a five step recognition and measurement approach for revenue arising from contracts with customers:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are established, the contract has commercial substance and collectability of consideration is probable. The Company records revenue on a gross basis when it is acting as a principal in the transactions. The Company evaluates the following indicators to determine whether it is acting as a principal in the transaction: (1) the Company is primarily responsible for providing the goods and services in the contract, (2) the Company has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customers, and (3) the Company has discretion in establishing the price for the specified good or service. If the Company is not acting as a principal in the transaction, then the Company is acting as an agent and records the transaction on a net basis.

The Company recognizes revenue once the control has passed to the customer. The Company evaluates the following indicators to determine whether the control has passed to the customer: (1) the Company has a right to payment for the product or service, (2) the customer has legal title to the product, (3) the Company has transferred physical possession of the product to the customer, (4) the customer has significant risk and rewards of ownership of the product, and (5) the customer has accepted the product.

For hardware sales, revenue is recognized once control has passed to the customer, which is usually upon delivery of the product to the customers. The Company is the principal in the transaction and recognizes revenue on a gross basis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition *(cont'd)*

For platform services (cloud services), the Company accounts for a contract after the customer and the Company have entered into a legally binding agreement for such services. When the Company configures the cloud environment as per the customer agreement and makes it available to the customer, that is when the Company starts billing the customer, as per the agreement. The Company bills it customers at the beginning of the month for the services that are to be provided during the month. Revenue for platform services is recognized on a monthly basis as the services are provided.

Income taxes

The provision for income taxes consists of current and deferred tax expense and is recorded in operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the period, adjusted for amendments to tax payable for previous years.

Deferred tax assets and liabilities are computed using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities on the statement of financial position and their corresponding tax values, using the enacted or substantially enacted, income tax rates at each statement of financial position date.

Deferred tax assets also result from unused losses and other deductions carried forward. The valuation of deferred tax assets is reviewed on a regular basis and adjusted to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized by use of a valuation allowance to reflect the estimated realizable amount.

Warrants

Equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of commons shares and a certain number of share purchase warrants.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing market price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded in the reserve account.

Share-based compensation

The Company has a share option plan. The fair value of share-based compensation to employees is measured at grant date using the Black-Scholes Option Pricing Model, and is recognized over the vesting period using the graded vesting method. The fair value of share-based compensation to non-employees is measured at the date the goods or services are received, at either the fair value of the goods or services received or the fair value of the equity instruments issued using the Black-Scholes Option Pricing Model, if the fair value of the goods or services received cannot be readily measured.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based compensation *(cont'd)*

For both employees and non-employees, the fair value is recognized as an expense with a corresponding increase in the reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. For share options granted with vesting terms conditional upon the achievement of a performance condition, and the performance condition is not a market condition, the Company revises its estimates of the length of the vesting period, if necessary, when information arises that indicates that the length of the vesting period differs from previous estimates. When this occurs, the change in estimate is accounted for prospectively.

Compensation expense is recorded in the consolidated statement of loss and comprehensive loss as share-based compensation expense with a corresponding credit to reserve. When stock options are exercised, the proceeds, together with the amount recorded in the reserve account, are recorded in share capital.

Government loans and grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grant will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

A forgivable loan from the government is treated as a government grant as long as there is reasonable assurance that the Company will meet the terms for forgiveness of the loan.

Leases

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

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date. The assets are depreciated over the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of future economic benefits.

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease obligation. The lease obligation is subsequently measured at amortized cost using the effective interest rate method.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Recent accounting pronouncements

The adoption of the following standards and interpretations, which have been issued but are not yet effective, are not expected to have a material effect on the Company's future results and financial position:

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). These amendments are effective for reporting periods beginning on or after January 1, 2022.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023.

4. CLOUD-A COMPUTING INC.

Pursuant to a Share Purchase Agreement dated June 2, 2021, the Company acquired Cloud-A from its shareholders by acquiring all of the issued and outstanding shares of Cloud-A (the "Acquisition") for a consideration of 1,760,001 common shares of the Company at a fair value of $267,300 (the "Purchase Shares"), and the payment of a cash consideration of $311,247. The Purchase Shares will be subject to contractual resale restrictions for two years from the date of issuance and will be released in instalments every six months following the closing of the Acquisition (Note 13(c)). Further, the Company assumed repayment of a loan between Cloud A and its shareholders of $88,753, of which $74,757 has been repaid.

The acquisition cost was allocated as follows:

Cash and cash equivalents	$	45,045
Receivables		18,627
Equipment		7,826
Payables		(13,553)
Loans		(74,757)
Lease		(2,068)
Government loan – long term		(60,000)
Goodwill		657,427
Total	$	578,547

For accounting purposes, the assets acquired were considered to be a business acquisition under IFRS 3 Business Combinations (IFRS 3). As such, the difference between the fair value of consideration paid and the fair value of the Company's identifiable assets and liabilities was recognized as goodwill.

(Expressed in Canadian Dollars)

5. RECEIVABLES

	May 31, 2022	May 31, 2021
Trade receivables	$ 655,799	$ 210,159
Goods and services tax recoverable	187,400	58,141
	$ 843,199	$ 268,300

6. DIGITAL CURRENCIES

As at May 31, 2022, the Company held various digital currencies with a fair value of $9,096 (May 31, 2021 - $Nil).

Digital currencies were valued using the closing price quoted on www.coinbase.com. During the year ended May 31, 2022, the Company realized a loss of $24,404 (2021 - $Nil) from the trades of digital currencies.

7. INVESTMENTS

	May 31, 2022	May 31, 2021
(1) On December 21, 2021, the Company purchased 1,000,000 non-transferrable common shares of NFTX Entertainment Corp., a private company.	$ 100,000	$ -
(2) On January 12, 2022, the Company entered into a SAFE Agreement with Orderinbox Inc. ("Orderinbox"), a private company to invest in future rights to shares after Orderinbox reaches a valuation cap of $20,000,000 for an investment of USD$100,000.	126,480	-
(3) On March 9, 2022, the Company purchased 62,500 common shares of Bunker Digital Inc., a private company.	100,000	
	$ 326,480	$ -

Determination of fair value

These investments represent investments in a private company for which there is no active market and for which there are no publicly available quoted market prices. The Company has classified these investments as Level 2 in the fair value hierarchy.

For purposes of determining fair value of these investments, the Company considered valuation techniques described in IFRS 13 – Fair Value Measurement. The fair value of these investments is consistent with the implied value based on their respective purchase prices, which is a level 2 input.

(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT

	Data Centre Equipment	Computer Equipment	Software	Production and Metastage Equipment	Right-of-use ("ROU") Assets	Total
	(Note 17)				(Note 11, 17)	
Cost						
Balance, May 31, 2020	$ 1,003,266	$ 31,255	$ -	$ -	$ 782,660	$ 1,817,181
Additions	46,147	33,576	-	-	-	79,723
Balance, May 31, 2021	1,049,413	64,831	-	-	782,660	1,896,904
Additions	858,835	42,183	39,710	1,645,988	2,013,733	4,600,449
Disposals	(340,332)	-	-	(381,080)	-	(721,412)
Balance, May 31, 2022	$ 1,567,916	$ 107,014	$ 39,710	$ 1,264,908	$ 2,796,393	$ 5,775,941
Accumulated amortization						
Balance, May 31, 2020	$ 203,865	$ 3,330	$ -	$ -	$ 141,520	$ 348,715
Additions	348,643	17,572	-	-	278,351	644,566
Balance, May 31, 2021	552,508	20,902	-	-	419,871	993,281
Additions	374,207	28,777	-	-	573,709	976,693
Foreign exchange translation	-	-	-	-	(1,890)	(1,890)
Balance, May 31, 2022	$ 926,715	$ 49,679	$ -	$ -	$ 991,690	$ 1,968,084
Balance						
May 31, 2021	$ 496,905	$ 43,929	$ -	$ -	$ 362,789	$ 903,623
May 31, 2022	$ 641,201	$ 57,335	$ 39,710	$ 1,264,908	$ 1,804,703	$ 3,807,857

9. TRADE PAYABLES AND ACCRUED LIABILITIES

	May 31, 2022	May 31, 2021
Trade payables (Note 14)	$ 1,157,747	$ 281,855
Accrued liabilities	60,000	70,000
	$ 1,217,747	$ 351,855

10. CONVERTIBLE DEBT AND LOANS PAYABLE

a. Convertible debt

On August 29, 2018, as last amended on May 1, 2019, the Company issued a $250,000 unsecured convertible promissory note to one of its principal shareholders who is also an officer and director of the Company. The Convertible Debt accrues interest at 12% per annum, compounded monthly in arrears and matures on August 29, 2021. The principal and accrued interest are convertible into common shares of the Company at any time prior to the maturity date, at the holder's discretion, at a conversion price of $0.70 per common share. During the year ended May 31, 2022, the Company repaid the note in full together with interest of $122,218.

(Expressed in Canadian Dollars)

10. CONVERTIBLE DEBT AND LOANS PAYABLE (cont'd)

a. Convertible debt (cont'd)

The reconciliation of the carrying amount of the convertible debt is:

	May 31, 2022	May 31, 2021
Balance, beginning of year	$ 347,174	$ 306,175
Interest expense at effective interest rate	25,044	40,999
Net loan repayment	(372,218)	-
Balance, end of year	$ -	$ 347,174

b. Non-revolving credit facility

On October 13, 2017, the Company entered into a $200,000 non-revolving credit facility agreement (the "Loan"). The Loan was interest bearing at 16% per annum, secured and matured on October 13, 2020. The Loan was repaid during the year ended May 31, 2021.

The reconciliation of the carrying amount of the non-revolving credit facility is:

	May 31, 2022	May 31, 2021
Carrying value, beginning of year	$ -	$ 59,220
Net loan repayments	-	(59,220)
Interest expense at effective interest rate	-	6,965
Interest paid	-	(6,965)
Carrying value, end of year	$ -	$ -

11. LEASE LIABILITIES

The Company incurs lease payments related to its office premises, data centre and server equipment.

	Office	Data Centre	Total
Balance, May 31, 2020	$ 118,639	$ 539,433	$ 658,072
Imputed interest	8,425	37,122	45,547
Payments	(64,220)	(319,843)	(384,063)
Balance, May 31, 2021	62,844	256,712	319,556
Additions	303,729	1,710,004	2,013,733
Imputed interest	9,605	111,088	120,693
Payments	(115,583)	(590,402)	(705,985)
Balance, May 31, 2022	$ 260,595	$ 1,487,402	$ 1,747,997
Current portion	$ 260,595	$ 736,589	$ 997,184
Long-term portion	$ -	$ 750,813	$ 750,813

When measuring the present value of lease obligations, the Company has discounted remaining lease payments using its incremental borrowing rate of 10%.

In fiscal 2021, the Company arranged to settle $308,000 of its lease liabilities for the Data Centre by issuing 1,540,000 units of the Company's equity (Note 13(b)).

(Expressed in Canadian Dollars)

12. GOVERNMENT LOAN

On June 1, 2020, the Company received a Canada Emergency Business Account loan (the "CEBA Loan") of $40,000 which is an interest-free loan to cover operating costs. On December 22, 2020, the Company received an additional loan from the expansion of CEBA loan program (the "CEBA Expansion Loan"). Repaying the balance of the two CEBA loans on or before December 31, 2023, as extended from December 31, 2022 by the Government of Canada, will result in an aggregate loan forgiveness of $20,000. In connection to the Cloud-A acquisition, the Company acquired an additional CEBA loan of $60,000 with the same terms of the CEBA Loan and CEBA Expansion Loan.

The CEBA Loan and CEBA Expansion Loan (collectively, the "CEBA Loans") were made available on certain terms and conditions, and in reliance on attestations made by the Company in the underlying respective loan agreements. The funds from the CEBA Loans shall only be used by the Company to pay non-deferrable operating expenses including, without limitation, payroll, rent, utilities, insurance, property tax and regularly scheduled debt service, and may not be used to fund any payments or expenses such as prepayment/refinancing of existing indebtedness, payments of dividends, distributions and increases in management compensation.

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 *Financial Instruments:* the benefit of below-market rate shall be measured as the difference between initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company estimated the initial carrying value of the CEBA Loans at $96,480, using a discount rate of 10%, which was the estimated rate for a similar loan without interest-free component. To May 31, 2022, the Company recorded $16,748 in interest expense on the CEBA Loans.

Further, the portion of the forgivable CEBA Loans of $23,520 was treated as a government grant, given reasonable assurance that the Company will meet the terms for forgiveness of the loan. As such, the government grants were amortized and recognized in the statements of loss and comprehensive loss; the period in which the Company recognized the related expenditures for which the balances were intended to compensate.

The CEBA Loans were, collectively, an interest-free loan, to the Company until December 31, 2020. On January 1, 2021 and June 30, 2021, the CEBA Loans of $60,000 and $60,000, respectively, converted to a 2-year, 0% interest term loan, to be repaid by December 31, 2023. If the Company repays $40,000 of each CEBA Loan by December 31, 2023, a balance of $20,000 of each CEBA Loan will be forgiven. If on December 31, 2023, the Company has not repaid the $40,000 of each CEBA Loan, it may exercise the option for a 3-year term extension and, accordingly, a 5% interest rate will be applied during this extension period on any balance remaining.

		May 31, 2022		May 31, 2021
Balance, beginning of year	$	51,248	$	–
Loan received		60,000		60,000
Interest-free benefit		(10,835)		(12,685)
Finance expense		12,815		3,933
Balance, end of year	$	113,228	$	51,248

13. SHARE CAPITAL

a. Authorized

Unlimited number of common shares without par value.

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (cont'd).

b. Issued and outstanding

During the year ended May 31, 2022, the Company completed the following transactions:

i) Pursuant to a Share Purchase Agreement dated December 15, 2021, the Company acquired Departure Lounge from its shareholders by acquiring all of the issued and outstanding shares of Departure Lounge (the "DL Acquisition") for a consideration of 3,598,195 common shares of the Company at a fair value of $1,344,617 ("DL Purchase Shares"). 50% of the DL Purchase Shares will be subject to contractual resale restrictions for two years from the date of issuance and will be released in four equal instalments every six months following the closing of the DL Acquisition (Note 13(c)). The Parties also established a performance-based profit-sharing plan as part of the DL Acquisition. In addition, at time of the DL Acquisition closing, the Company agreed to advance $2,500,000 to Departure Lounge to fund its operations. The DL Acquisition is considered a related party transaction (Note 14) as defined in MI61-101 which has been incorporated by the policies of the CSE.

The acquisition cost was allocated as follows:

Receivables	$	2,173
Prepaid expenses		3,000
Payables		(59,642)
Acquisition expense		1,399,086
Total	$	1,344,617

The acquisition is accounted for in accordance with the guidance provided by IFRS 2 *Share-based Payment* and IFRS 3 *Business Combinations* ("IFRS 3"). As the Company did not meet the definition of a business as defined by IFRS 3 as there were no substantive processes in place, the transaction does not constitute a business combination; rather, it is treated as a share base payment. In accordance with IFRS 2, the fair value of the share issuance was determined to be $1,344,617 or $0.374 per common share, based on the estimated fair value at the acquisition date.

ii) Issued 1,760,001 common shares at a fair market value of $267,300 to the shareholders of Cloud-A to acquire 100% of Cloud-A (Note 4).

iii) Issued an aggregate of 2,942,654 common shares on the exercise of 2,942,654 warrants for gross proceeds of $563,879.

iv) Recognized share issuance costs of $700 in connection to the Company's non-brokered private placement completed in May, 2021.

v) Completed a non-brokered private placement of 23,139,663 units at a price of $0.30 per Unit, for gross proceeds of $6,941,899. Each Unit is comprised of one common share of the Company (each a 'Share') and one common share purchase warrant (each a "Unit Warrant" and, collectively, the "Unit Warrants"), with each Unit Warrant entitling the holder to subscribe for one Share (each a "Warrant Share" and, collectively, the "Warrant Shares") at an exercise price of $0.50 per Warrant Share for a period of 24 months (Note 13(e)(vii)). The expiry date of the Unit Warrants may be accelerated at the option of the Company if, at any time prior to the expiry of the Unit Warrants, the volume weighted average trading price of the underlying Shares on the CSE (or such other recognized Canadian stock exchange on which the Common Shares are then listed) is or exceeds $0.80 for a period of ten consecutive trading days.

13. SHARE CAPITAL (cont'd).

b. **Issued and outstanding** (cont'd)

In connection with the Private Placement, the Company paid certain finders $189,462 and issued 631,539 finder warrants with an exercise price of $0.50 per share for a period of two years and recorded a fair value of $175,977 on the agent's warrants. The Company incurred $6,162 in other share issuance costs in connection to this private placement.

Subsequent to the completion of the non-brokered private placement, a subscriber returned 500,000 units to the Company's treasury as a cancellation of its subscription and $150,000 was returned to the subscriber.

vi) Issued 500,000 common shares on the exercise of 500,000 warrants for gross proceeds of $300. In addition, a reallocation of $174,782 from reserves to share capital was recorded on the exercise of these warrants. This amount constitutes the fair value of warrants recorded at the original grant date.

During the year ended May 31, 2021, the Company completed the following transactions:

vii) issued 500,000 common shares on the exercise of 500,000 warrants for gross proceeds of $300. In addition, a reallocation of $174,781 from reserves to share capital was recorded on the exercise of these warrants. This amount constitutes the fair value of warrants recorded at the original grant date.

viii) completed a private placement of 600,000 units at a price of $0.20 per unit for gross proceeds of $120,000. Each unit includes one common share and one-half share purchase warrant. Each whole warrant is exercisable at a price of $0.30 per share for a period of one year. The CEO and director of the Company was the sole subscriber for this private placement. The Company incurred $200 in share issuance costs in connection to this private placement.

ix) completed an arrangement through which the Company settled $308,000 of lease liabilities in exchange for 1,540,000 units (Note 11). Each unit includes one common share and one common share purchase warrant. Each warrant is exercisable at a price of $0.30 per share for a period of two years. The Company recorded a fair value of $277,200 on 1,540,000 common shares and $174,288 on 1,540,000 share purchase warrants. As a result, the Company recorded a loss of $143,488 in connection to this settlement.

x) completed a private placement of 4,735,500 units at a price of $0.10 per unit for gross proceeds of $473,550. Each unit includes one common share and one-half share purchase warrant. Each whole warrant is exercisable at a price of $0.15 per share for a period of one year. Three directors and officers and a former officer of the Company subscribed for an aggregate of 2,745,500 units in this private placement. The Company incurred $900 in share issuance costs in connection to this private placement.

xi) completed a non-brokered private placement of 5,666,666 units at a price of $0.15 per unit for gross proceeds of $850,000. Each unit includes one common share and one share purchase warrant exercisable at a price of $0.25 per share for a period of three years. The Company incurred $700 in share issuance costs in connection to this private placement.

xii) completed a non-brokered private placement totaling 4,906,000 units at a price of $0.25 per unit for aggregate proceeds of $1,226,500. Each unit includes one common share and one share purchase warrant exercisable at a price of $0.40 per warrant for a period of two years. The expiry date of the warrants may be accelerated at the option of the Company if, at any time prior to the expiry of the warrants, the volume weighted average trading price of the underlying common shares on the CSE (or such other recognized Canadian stock exchange on which the common shares are then listed) is or exceeds $0.75 for a period of ten (10) consecutive trading days. To May 31, 2021 and subsequently, the warrants have not met the criterion for acceleration.

The Company issued 163,200 in agent's warrants at an exercise price of $0.40 per warrant for a period of two years and recorded a fair value of $29,712 on the agent's warrants. The Company incurred $42,713 in share issuance costs in connection to this private placement.

13. SHARE CAPITAL (cont'd).

c. Escrow

16,170,456 common shares issued to the principals of the Company are subject to escrow conditions required by applicable securities laws and the CSE requirements. Pursuant to the terms of the escrow agreements, 10% of the escrowed shares were released from escrow on October 24, 2019 and 15% of the escrowed shares to be released every 6 months over a period of 36 months. As at May 31, 2022, 2,425,583 (May 31, 2021 – 7,276,711) common shares are held within escrow.

Pursuant to the share purchase agreement (Note 4), 1,760,001 common shares issued to the shareholders of Cloud A under the Acquisition are subject to escrow conditions required by applicable securities laws and the CSE requirements. Pursuant to the terms of the escrow agreements, 25% of the escrowed shares shall be released every 6 months from June 2, 2021 over a period of 24 months. As at May 31, 2022, 1,320,001 (May 31, 2021 – Nil) common shares were held within escrow.

Pursuant to the share purchase agreement (Note 13(b)(i)), 1,799,098 common shares issued to the shareholders of Departure Lounge under the DL Acquisition are subject to escrow conditions required by applicable securities laws and the CSE requirements. Pursuant to the terms of the escrow agreements, 25% of the escrowed shares shall be released every 6 months from December 15, 2021 over a period of 24 months. As at May 31, 2022, 1,574,210 (May 31, 2021 – Nil) common shares were held within escrow.

d. Reserve

Share-based compensation
The reserve records the fair value recognized on stock options granted and on the share purchase warrants issued in connection to the private placement until such time that the stock options or share purchase warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Conversion rights of debt
This reserve records the equity component of debt which has both a liability and equity component. On conversion, the amount recorded is transferred to share capital. On redemption or settlement, the amount is transferred to deficit.

e. Stock options and share purchase warrants

The Company adopted a 10% rolling share option plan (the "Plan") that enables management to grant options to directors, officers, employees and other service providers. The Company follows the CSE policies where the number of common shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding shares of the Company from time to time at the date of granting of options. Each option agreement with the grantee sets forth, among other things, the number of options granted, the exercise price, expiry date, and the vesting conditions of the options as determined by the Board of Directors.

13. SHARE CAPITAL (cont'd).

e. Stock options and share purchase warrants (cont'd)

During the year ended May 31, 2022, the Company carried out the following stock options and share purchase warrant transactions:

i) granted an aggregate of 500,000 stock options at an exercise price of $0.34 per share to certain employees and consultants of the Company. 300,000 of the options expire on September 15, 2023 and 200,000 of the options expire on September 15, 2026. The fair value of the options at grant date was $123,757. During the year, the Company recorded $101,789 in share-based compensation on the vested portion of the options.

ii) granted an aggregate of 350,000 stock options at an exercise price of $0.48 per share to certain employees and consultants of the Company. 250,000 of the options expire on November 29, 2023 and 100,000 of the options expire on November 29, 2026. The fair value of the options at grant date was $136,869. During the year, the Company recorded $63,560 in share-based compensation on the vested portion of the options.

iii) granted an aggregate of 425,000 stock options at an exercise price of $0.45 per share to an employee and consultant of the Company. 400,000 of the options expire on December 22, 2026 and 25,000 of the options expire on December 22, 2024. The fair value of the options at grant date was $174,566. During the year, the Company recorded $87,690 in share-based compensation on the vested portion of the options.

iv) granted an aggregate of 625,000 stock options at an exercise price of $0.36 per share to certain employees, officer and consultants of the Company. 25,000 of the options expire on January 18, 2025 and 600,000 of the options expire on January 18, 2027. The fair value of the options at grant date was $193,667. During the year, the Company recorded $84,061 in share-based compensation on the vested portion of the options.

v) granted an aggregate of 375,000 stock options at an exercise price of $0.22 per share to certain employees, and consultants of the Company. 25,000 of the options expire on March 3, 2025 and 300,000 of the options expire on March 3, 2027. The fair value of the options at grant date was $92,887. During the year, the Company recorded $22,309 in share-based compensation on the vested portion of the options.

vi) granted an aggregate of 700,000 stock options at an exercise price of $0.12 per share to certain employees, officer and consultants of the Company with an expiry date of May 12, 2027. The fair value of the options at grant date was $77,243. During the year, the Company recorded $4,039 in share-based compensation on the vested portion of the options.

vii) issued 23,139,663 share purchase warrants and 631,539 agent's warrants at an exercise price of $0.50 per share expiring November 25, 2023 in connection to a private placement (Note 13(b)(v)). Of the 23,139,663 share purchase warrants, 500,000 share purchase warrants were cancelled and returned to treasury due to a cancellation of a subscriber's subscription. During the year, the Company recorded share issuance costs of $175,977 on the agent's warrants.

viii) exercised an aggregate of 3,442,654 warrants at an exercise price between $0.15 and $0.35 per share for an aggregate of 3,442,654 common shares (Note 13(b)).

ix) recorded an aggregate of $413,166 in share-based compensation on previously issued stock options which vested during the year.

13. SHARE CAPITAL (cont'd)

e. Stock options and share purchase warrants (cont'd)

During the year ended May 31, 2021, the Company carried out the following stock options and share purchase warrant transactions:

x) granted 2,550,000 incentive stock options to directors, employees and an advisor at an exercise price of $0.19 per share expiring June 23, 2025. The fair value of the options at grant date was $432,843. During the year, the Company recorded $300,783 in share-based compensation on the vested portion of the options.

xi) recorded $72,133 in share-based compensation on previously issued stock options which vested during the year and the forfeiture of 700,000 stock options at an exercise price of $0.35 per share and 400,000 stock options at an exercise price of $0.50, which were previously issued.

xii) issued 300,000 share purchase warrants at an exercise price of $0.30 per share expiring June 15, 2021 in connection to a private placement (Note 13(b)).

xiii) issued 1,540,000 share purchase warrants at an exercise price of $0.30 per share expiring June 15, 2022 in connection to a debt settlement (Note 13(b)).

xiv) issued 2,367,750 share purchase warrants at an exercise price of $0.15 per share expiring December 14, 2021 (Note 13(b)).

xv) issued 500,000 common shares on the exercise of 500,000 warrants for total gross proceeds of $300. The Company reallocated $174,781 in share-based compensation to share capital on the exercise of these warrants (Note 13(b)).

xvi) issued 5,666,666 share purchase warrants at an exercise price of $0.25 per share expiring March 9, 2024 (Note 13(b)).

xvii) issued an aggregate of 4,906,000 share purchase warrants and 163,200 agent's warrants at an exercise price of $0.40 expiring between April 29, 2023 and May 1, 2023 (Note 13(b)).

xviii) granted an aggregate of 2,100,000 stock options at an exercise price of $0.25 per share to certain officers, employees and consultants of the Company. 1,500,000 of the options expire on March 10, 2024 and 600,000 of the options expire on March 10, 2026. The fair value of the options at grant date was $503,571. During the year, the Company recorded $486,249 in share-based compensation on the vested portion of the options.

xix) granted an aggregate of 250,000 stock options at an exercise price of $0.25 per share to two consultants of the Company expiring March 22, 2024. The fair value of the options at grant date was $65,728. During the year, the Company recorded $65,728 in share-based compensation on the vested portion of the options.

xx) granted an aggregate of 275,000 stock options at an exercise price of $0.25 per share to certain employees and consultants of the Company. 75,000 of the options expire on May 14, 2024 and 200,000 of the options expire on May 14, 2026. The fair value of the options at grant date was $60,689. During the year, the Company recorded $21,551 in share-based compensation on the vested portion of the options.

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (cont'd)

e. Stock options and share purchase warrants (cont'd)

The Company applies the fair value method in accounting for its stock options and warrants using the Black-Scholes Option Pricing Model using the following estimates:

	Stock options		Warrants	
	May 31, 2022	May 31, 2021	May 31, 2022	May 31, 2021
Risk free rate	1.77%	0.49%	1.07%	0.26%
Expected dividend yield	0%	0%	0%	0%
Expected stock price volatility	157.3%	167.41%	160.78%	153.25%
Weighted average expected life	4.47 years	4.29 years	2 years	2.00 years
Weighted average fair value	$0.27	$0.21	$0.28	$0.12

Stock options and share purchase warrant transactions are summarized as follows:

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, May 31, 2020	1,600,000	$ 0.41	7,755,595	$ 0.17
Forfeited	(1,250,000)	0.39	-	-
Expired	-	-	(2,313,349)	0.48
Exercised	-	-	(500,000)	0.0006
Granted	5,175,000	0.22	14,943,616	0.29
Outstanding, May 31, 2021	5,525,000	0.24	19,885,862	0.23
Exercised	-	-	(3,442,654)	0.16
Expired	-	-	(317,342)	0.30
Forfeited	-	-	(500,000)	0.50
Granted	2,975,000	0.31	23,571,202	0.50
Outstanding, May 31, 2022	8,500,000	$ 0.26	39,397,068	$ 0.38
Number currently exercisable	5,320,416	$ 0.26	38,397,068	$ 0.39

(Expressed in Canadian Dollars)

13. SHARE CAPITAL (cont'd)

e. Stock options and share purchase warrants (cont'd)

As at May 31, 2022, the following stock options and share purchase warrants were outstanding:

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted Average Period
Stock options	March 10, 2024	1,500,000	$ 0.25	1.78 years
	March 22, 2024	250,000	$ 0.25	1.81 years
	May 14, 2024	75,000	$ 0.25	1.96 years
	October 25, 2024	300,000	$ 0.50	2.41 years
	March 4, 2025	100,000	$ 0.22	2.76 years
	June 23, 2025	2,500,000	$ 0.19	3.07 years
	March 10, 2026	600,000	$ 0.25	3.78 years
	May 14, 2026	200,000	$ 0.25	3.96 years
	September 15, 2023	300,000	$ 0.34	1.29 years
	September 15, 2026	200,000	$ 0.34	4.30 years
	November 29, 2023	250,000	$ 0.48	1.50 years
	November 29, 2026	100,000	$ 0.48	4.50 years
	December 22, 2024	25,000	$ 0.45	2.56 years
	December 22, 2026	400,000	$ 0.45	4.56 years
	January 18, 2025	25,000	$ 0.36	2.64 years
	January 18, 2027	600,000	$ 0.36	4.64 years
	March 3, 2025	25,000	$ 0.22	2.76 years
	March 3, 2027	350,000	$ 0.22	4.76 years
	May 12, 2027	700,000	$ 0.12	4.95 years
		8,500,000	$ 0.26	2.77 years

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted Average Period
Warrants	June 15, 2022*	1,540,000	$ 0.30	0.04 years
	April 29, 2023	4,790,800	$ 0.40	0.91 years
	May 1, 2023	128,400	$ 0.40	0.92 years
	November 25, 2023	23,271,202	$ 0.50	1.49 years
	March 9, 2024	5,666,666	$ 0.25	1.78 years
	June 2, 2024	4,000,000	$ 0.0006	2.01 years
		39,397,068	$ 0.39	1.45 years

*Subsequent to May 31, 2022, 1,540,000 warrants expired unexercised.

(Expressed in Canadian Dollars)

14. RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers. During the years ended May 31, 2022 and 2021, the remuneration of the key management personnel were as follows:

May 31,		2022		2021
Chief Executive Officer	$	142,100	$	121,662
Chief Financial Officer		34,600		39,600
Chief Strategy Officer		301,883		200,026
Chief Technology Officer		154,600		117,692
Former Vice President of Client Services		-		70,070
Vice President of Operations		154,600		117,231
Director Fees		36,000		12,000
Total	$	823,783	$	678,281

Other related party transactions and balances

(i) The Company recognized an aggregate of $323,631 (May 31, 2021 - $287,194) in share-based compensation on the vested portion of stock options and performance-based warrants granted to directors and officers of the Company.

(ii) During the year ended May 31, 2022, the Company repaid the convertible debt of $250,000 and interest earned of $122,218 (May 31, 2021 – debt of $250,000 and interest of $97,174) to the CEO of the Company (Note 10(a)).

(iii) During the year ended May 31, 2022, the Company paid or accrued $36,000 in director's fees (May 31, 2021 - $12,000) to a director of the Company. As at May 31, 2022, $32,000 (May 31, 2021 - $2,000) was included in trade payables and accrued liabilities in director fees owed to a director of the Company.

(iv) As at May 31, 2022, $46,080 (May 31, 2021 - $Nil) was included in trade payables and accrued liabilities for accrued vacation salary to four executives of the Company.

(v) As at May 31, 2022, $1,921 (May 31, 2021 - $Nil) was owed to the CFO of the Company for services rendered. The amount is included in trade payables and accrued liabilities.

(vi) The CSO of the Company was one of the Vendors in the Departure Lounge Acquisition. In conducting their review and approval process with respect to the Acquisition, disinterested directors of the Company approved the Acquisition, which is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as, among other things, the fair market value of the Purchase Shares does not exceed 25% of the Company's market capitalization (Note 13(b)(i)).

(vii) During the year ended May 31, 2022, the Company entered into a leasing arrangement with Rabid Publishing Inc., a company partially owned by three directors and officers of the Company to lease metastage equipment totalling USD$150,000 (CAD$190,882) for a period of 36 months at 12% per annum (Note 17(j)). As at May 31, 2022, $190,882 (May 31, 2021 - $Nil) remains outstanding on the lease.

(Expressed in Canadian Dollars)

15. NON-CONTROLLING INTEREST

During the year, the Company acquired 100% of Departure Lounge (Note 13(b)(i)) which holds 70% equity interest in 1310675BC. The non-controlling interest represents the 30% equity interest in 1310675BC held by a minority shareholder.

The continuity of non-controlling interest is summarized as follows:

		1310675 BC Ltd
Balance, May 31, 2020 and 2021	$	-
Share of net and comprehensive loss		(7,521)
Balance, May 31, 2022	$	(7,521)

16. INCOME TAXES

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 27% (2021 - $27%) and a United States tax rate of 21% (2021 - 21%) to the amounts recognized in the consolidated statements of loss and comprehensive loss:

	2022	2021
Loss before income taxes	$ (7,115,246)	$ (3,279,193)
Expected income tax at statutory tax rates	$ (1,912,000)	$ (886,000)
Permanent difference	591,000	257,000
Change in statutory, foreign tax, foreign exchange rates and other	(1,135,000)	(4,000)
Adjustments and change in unrecognized deductible temporary differences	2,456,000	633,000
Total income tax expense	$ -	$ -

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the consolidated statement of financial position are as follows:

	2022	Expiry dates	2021	Expiry dates
Share issue costs	364,000	2023 to 2026	156,000	2022 to 2025
Non-capital losses	9,142,000	2037 to 2042	4,622,000	2037 to 2041
Capital assets	2,801,000	No expiry	798,000	No expiry
	12,307,000		5,576,000	

17. COMMITMENTS

Finance loans

a. Equipment finance agreement dated December 2, 2019 for server equipment for a period of 2 years commencing January 1, 2020 and expiring December 31, 2021, in exchange for $13,864 per month plus applicable taxes.

(Expressed in Canadian Dollars)

17. COMMITMENTS (cont'd)

b. Insurance premium financing agreement dated October 2, 2020 for the Company's directors' and officers' liability insurance for a period of nine months commencing October 21, 2020, in exchange for a down payment of $8,663 and $2,282 per month. The Company renewed its directors' and officers' liability insurance and entered into a financing agreement dated October 20, 2021 for a period of nine months commencing October 21, 2021, in exchange for a down payment of $7,613 and $2,556 per month.

c. Insurance premium financing arrangement dated November 26, 2020 for commercial property insurance for a period of one year commencing January 2, 2021, in exchange for $936 per month. The Company renewed its general liability and information technology insurance for a period of nine months commencing February 28, 2022, in exchange for $2,543.

The summary of finance loans is:

	Server (a)	Insurance (b,c)	Total
Balance, May 31, 2020	$ 307,755	$ -	$ 307,755
Proceeds	-	47,868	47,868
Imputed interest	14,133	1,061	15,194
Payments and other	(213,325)	(34,492)	(247,817)
Balance, May 31, 2021	108,563	14,437	123,000
Proceeds	-	44,695	44,695
Imputed interest	3,038	1,369	4,407
Payments and other	(111,601)	(42,874)	(154,475)
Balance, May 31, 2022	$ -	$ 17,627	$ 17,627
Current portion	$ -	$ 17,627	$ 17,627
Long-term portion	$ -	$ -	$ -

Lease agreements

a. Office sublease dated July 12, 2019 for a portion of the office premises for a period of three years commencing August 1, 2019 and expiring July 31, 2022, in exchange for $7,450 per month plus applicable taxes for the first two years and base rent of $4,750 per month plus Landlord's projected operating costs and applicable taxes for the final year. The lease agreement includes an option to renew for an additional 3 year term at the end of its initial term.

b. Data Centre lease dated June 1, 2019 for a portion of the premises for a period of three years commencing November 1, 2019 and expiring October 31, 2022 in exchange for $23,185 per month plus applicable taxes. The monthly rent includes base rent, operating costs, and capital cost recoveries. The lease agreement includes an option to renew for an additional 3 year term at the end of its initial term.

c. Equipment lease dated May 8, 2018 for data centre equipment for a period of 42 months commencing May 8, 2018 expiring November 8, 2021 in exchange for $625 per month plus applicable taxes. This lease was assumed by the Company in connection to the Cloud A acquisition. The lease agreement includes a purchase option price of $1 at the end of the term.

17. COMMITMENTS (cont'd)

d. Equipment lease dated May 31, 2021 for data centre equipment with Equinix Amsterdam for €97,485 for a period of three years, with payments commencing on September 1, 2021 and expiring August 31, 2024. Payments begin at €2,820 per month with a 5% increase every 12 months.

e. Equipment lease dated July 13, 2021 for data centre equipment with Equinix for US$71,841 for a period of three years, with payments commencing October 1, 2021 and expiring September 30, 2024. Payments begin at US$1,600 per month with a 5% increase every 12 months.

f. Equipment finance agreements for various data center equipment:

   i. Dated May 27, 2021 and amended on December 22, 2021 with NFS Leasing for $335,259 for a period of three years, with payments commencing on December 1, 2021 and expiring December 31, 2024. Payments are currently estimated at $13,383 per month.

   ii. Dated September 17, 2021 with NFS Leasing for $250,295 for a period of three years, with payments commencing September 1, 2021 and expiring September 30, 2024. Payments are currently estimated as $9,963 per month.

g. Equipment lease dated April 21, 2022 for data centre equipment with Data Sales Company of Canada Inc. for $111,166 for a period of 36 months commencing May 1, 2022 expiring April 30, 2025 in exchange for $3,705 per month plus applicable taxes.

h. Service agreement dated February 10, 2016 for connectivity services with Cologix for a period of 36 months and subsequently renewed on an annual basis expiring Mar 4, 2023 in exchange for $2,436 per month plus applicable taxes.

i. Equipment lease dated April 12, 2022 for production equipment with De Lage Landen Financial Services Canada Inc. for $381,080 for a period of 12 months commencing on April 21, 2022 expiring April 30, 2023 in exchange for a down payment of $120,000 plus applicable taxes and $24,634 per month plus applicable taxes.

j. Equipment Lease-To-Own Agreement dated April 25, 2022 for metastage equipment with Rabid Publishing Inc for USD$150,000 for a period of 36 months commencing June 1, 2022 expiring May 31, 2025 in exchange for USD$4,982 per month plus applicable taxes.

k. Office lease with Great Northern Way Campus Ltd. for two suites:

   i. Dated December 20, 2021 for office premises for a period of 12 months commencing January 1, 2022 and expiring December 31, 2022 in exchange for $7,625 per month plus applicable taxes. The lease agreement includes an option to renew for two additional one year option terms at the end of its current term.

   ii. Dated March 30, 2022 for office premises for a period of 12 months commencing April 1, 2022 and expiring March 31, 2023 in exchange for $20,658 per month plus applicable taxes. The lease agreement includes an option to renew for two additional one year option terms at the end of its current term.

(Expressed in Canadian Dollars)

18. SALES AND RELIANCE ON MAJOR CUSTOMERS

The Company's sales by category are:

Years ended May 31,	2022	2021
Sales for the year		
Hardware sales and installation	$ 2,277,404	$ 368,294
Software licensing fees	386	56,308
Platform fees	889,557	1,083,091
Support and maintenance	5,059	3,111
Rental fees	34,608	33,176
Consulting services	7,563	-
Other	15,125	5,761
	$ 3,229,702	$ 1,549,741

During the year ended May 31, 2022, sales to two of the Company's customers amounted to 65%, and 17%, respectively, for a combined total of 82% of sales. A single hardware sale represented the largest customer. For the year ended May 31, 2021, sales to three of the Company's customers amounted to 32%, 9%, and 9%, respectively, for a combined total of 50% of sales.

The digital media and computer technology industry is highly competitive and there is no guarantee that the Company could easily replace these customers should it cease selling products and services to them.

19. SEGMENTED INFORMATION

The Company operates in one industry segments in Canada, the United States of America and in Europe. The Company's assets are solely located in Canada. During the years ended May 31, 2022 and 2021, all sales occurred in Canada.

20. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash transactions during the year ended May 31, 2022 include:

i. The Company issued 1,760,001 common shares at a fair value of $267,300 for the acquisition of Cloud-A (Note 4).

ii. The Company issued 3,598,195 common shares at a fair value of $1,344,617 for the acquisition of Departure Lounge (Note 13(b)(i)).

iii. The Company recorded a fair value of $175,977 on 631,539 agents warrants issued in connection to the Company's private placement of 23,139,663 units for gross proceeds of $6,941,899 (Note 13(b)).

iv. The Company reallocated $174,782 in share-based compensation on the exercise of warrants to share capital (Note 13).

Non-cash transactions during the year ended May 31, 2021 include:

i. The Company issued common shares units at a fair value of $451,488 for a debt settlement on a lease (Note 13) and recorded a corresponding payment against its lease liability of $308,000; and

ii. The Company reclassified $174,781 in share-based compensation on the exercise of warrants to share capital (Note 13).

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, receivables, trade payables, convertible debt, loan payable and finance loan. These financial instruments are exposed to certain risks, including credit risk, interest rate risk, liquidity risk and other market risk.

Credit risk
Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held through large Canadian financial institutions. The Company considers credit risk on its cash to be minimal.

The Company's receivables consists of Goods and Services Tax due from the Federal Government of Canada and amounts receivable from customers. The Company's maximum exposure to credit risk as at May 31, 2022 is $655,799 (May 31, 2021 - $210,159), representing trade receivables.

For amounts due from customers, the Company performs ongoing credit evaluations of its customers and monitors the receivable balance and the payments made in order to determine if an allowance for estimated credit losses is required.

When determining the allowance for estimated credit losses the Company will consider historical experience with the customer, current market and industry conditions and any specific collection issues. As at May 31, 2022 and 2021, the Company did not have any material overdue accounts.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining cash balances to ensure that it is able to meet its short term and long term obligations as and when they fall due. Trades payable and accrued liabilities are due within the current operating period. The Company manages liquidity risk through the management of its capital structure as described in Note 22.

As at May 31, 2022, the Company had a working capital of $255,611 (May 31, 2021 – $966,829).

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest Rate Risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk from its secured loans and convertible debentures. The Company's interest rates on these loans are fixed and the sensitivity of the Company's loss before tax to a reasonably possible change in market interest rates is considered minimal.

Other Market Risk
Other market risk that the Company is exposed to includes currency risk. Currency risk is the risk of loss due to fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. The Company is not exposed to significant currency risk as the parent entity and subsidiaries primarily transact in their functional currencies.

Price risk
The Company is not exposed to price risk.

22. CAPITAL MANAGEMENT

The Company's capital management objectives are to safeguard the Company's ability to continue as a going concern in order to continue its technology services to its customers. The Company's capital is composed of its shareholders' equity, convertible debt and loan payable.

The Company manages and adjusts its capital structure whenever changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may issue new shares or acquire, dispose of or jointly operate certain of its assets. In order to facilitate the management of its capital requirements, the Company actively monitors its liquidity and short and long-term funding requirements. There was no change to the Company's approach to capital management during the year ended May 31, 2022.

23. SUBSEQUENT EVENTS

On August 17, 2022 and August 31, 2022, the Company completed two tranches of the Company's non-brokered private placement totalling 13,053,571 units (the "Units") at a price of $0.14 per Unit for aggregate proceeds of $1,827,500 (the "Private Placement").

Each Unit will be comprised of one common share of the Company (each a 'Share') and one common share purchase warrant (each a "Unit Warrant" and, collectively, the "Unit Warrants"), with each Unit Warrant entitling the holder to subscribe for one Common Share (each a "Warrant Share" and, collectively, the "Warrant Shares") in the capital of the Company at an exercise price of $0.20 per Warrant Share for a period of 18 months following the date of the closing of the Private Placement tranche.

As part of this transaction, the Company paid cash of $92,630 and issued 661,640 Unit Warrants as finder's fees on a portion of the private placement raised.

All securities are subject to a four-month and one-day hold period.