# FORM 2A

# LISTING STATEMENT

GENAI

## GENERATIVE AI SOLUTIONS CORP.

**IN CONNECTION WITH THE LISTING OF THE COMMON SHARES OF THE COMPANY (FORMERLY KNOWN AS IDLE LIFESTYLE INC.)**

**Dated as of April 17, 2023**

*Neither the Canadian Securities Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Business Combination described in this Listing Statement.*

# 1) TABLE OF CONTENTS

## GLOSSARY OF TERMS

The following is a glossary of certain definitions used in this Listing Statement. Terms and abbreviations used in the appendices to this listing statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and *vice versa* and words importing any gender include all genders.

"**Affiliate**", a company is an "Affiliate" of another company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same Person. A company is "controlled" by a Person if (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company. A Person beneficially owns securities that are beneficially owned by (a) a company controlled by that Person, or (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person;

"**AI**" means artificial intelligence;

"**AI Shareholders**" means the holders of the Shares, prior to the Business Combination;

"**Altria**" means Altria Client Services LLC;

"**Altria Sale**" means the purchase of the PODA Business by Altria pursuant to the terms of asset purchase agreement entered into between the Company and Altria on May 13, 2022;

"**Amalco**" has the meaning ascribed to it in *"General Development of the Business – Business Combination"*;

"**Amalgamation**" has the meaning ascribed to it in *"General Development of the Business – Business Combination"*;

"**Associate**", when used to indicate a relationship with a Person, means (a) an issuer of which the Person beneficially owns or controls directly, or indirectly, voting securities entitling him to more than 10% of the voting rights attached to all outstanding voting securities of the issuer; (b) any partner of the Person; (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which the Person serves as trustee or in a similar capacity; (d) in the case of a person who is an individual, (i) that Person's spouse or child, or (ii) any relative of that Person or of his spouse who has the same residence as that Person;

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended from time to time;

"**Board**" means the board of directors of the Company;

"**Business Combination**" means the acquisition of Ultron by the Company by way of a reverse takeover transaction pursuant to the terms and conditions of the Business Combination Agreement;

"**Business Combination Agreement**" means the business combination agreement dated effective February 16, 2023, between the Company, Ultron, and Subco and setting forth the terms and conditions of the Business Combination;

"**CAGR**" means compound annual growth rate;

"**CEO"** means Chief Executive Officer;

"**CFO**" means Chief Financial Officer;

“**Class B Shares**” means the Class B Shares in the capital of the Company;

“**Closing**” means the completion of the Business Combination;

“**Common Shares**” means the Common Shares in the capital of the Company;

“**Company**” means Generative AI Solutions Corp. (formerly Idle Lifestyle Inc.), a company incorporated under the BCBCA;

“**Consolidation**” means the share consolidation of the Company, effective February 13, 2023, whereby the Company consolidated its SV and MV Shares on the basis of 30 pre-consolidation SV and MV Shares for each post-consolidation SV and MV Share;

“**Control Person**” means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;

“**CSE**” means the Canadian Securities Exchange;

“**Eligible Persons**” has the meaning ascribed to it in “Options to Purchase Securities”;

“**Fundamental Change**” has the meaning ascribed to that term under the CSE policies pursuant to CSE policy 8 – “*Fundamental Changes & Changes of Business*”;

“**HNBT**” means heat-not-burn technology;

“**IFRS**” means the International Financial Reporting Standards as issued by the International Accounting Standards Board and Interpretations of the International Financial Interpretations Committee;

“**Insider**” if used in relation to an issuer, means: (a) a director or executive officer of the issuer; (b) a director or executive officer of a company that is an Insider or subsidiary of the issuer; (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; (d) the issuer itself if it holds any of its own securities; (e) a person that is designated as an insider by the British Columbia Securities Commission; or (f) a class of persons that are prescribed by applicable securities laws;

“**Listing”** means the listing of the Common Shares on the CSE;

“**Listing Date**” means the date on which the Common Shares commence trading on the CSE;

“**Listing Statement**” means this listing statement, together with all appendices attached hereto and including the summary hereof;

“**MD&A**” means management’s discussion and analysis;

“**MV Share Conversion**” has the meaning ascribed to it in “*CORPORATE STRUCTURE – Corporate Structure of the Company*”.

“**MV Shares**” means the Multiple Voting shares in the capital of the Company;

“**NEO**” has the meaning ascribed to it in Form 51-102F6 – *Statement of Executive Compensation* under National Instrument 51-102 – *Continuous Disclosure Obligations*;

“**NI 52-110**” means National Instrument 52-110 – Audit Committees;

“**Option**” means a stock option to acquire Shares in the Company pursuant to the Plan;

“**Preferred Shares**” has the meaning ascribed to it in “*CORPORATE STRUCTURE*” – “*Corporate Structure of the Company”;*

“**PODA Assets**” means, all right, title and interest of that the Company had (prior to the Altria Sale) in and to all of the assets, properties, rights, titles and interests of every kind and nature owned, licensed or leased by the Company, whether real, personal or mixed, tangible or intangible (including goodwill), wherever located and whether now existing or hereafter acquired (other than those excluded assets provided for in the Altria Sale), that related to, or were used or held for use in connection with, the PODA Business, including all right, title and interest in and to, among other things, the Company’s technology at the relevant time, as well as associated intellectual property, rights, inventory and equipment;

“**Poda Tech**” means Poda Technologies Ltd.;

“**Person**” means a natural person, partnership, limited partnership, limited liability partnership, corporation, limited liability company, unlimited liability company, joint stock company, trust, unincorporated association, joint venture or other entity or governmental entity, and pronouns having a similar extended meaning;

“**Plan**” means the securities-based incentive compensation plan of the Company adopted by the Shareholders at the annual and special meeting of the Shareholders held on December 17, 2021 providing for the grant of incentive Options and RSUs to qualified directors, officers, employees and consultants;

“**PODA Business**” means the business of the Company prior to the completion of the Altria Sale on June 24, 2022, namely the manufacturing, marketing, promoting, distributing, licensing, selling, acquiring, holding, designing, and developing of heat-not-burn and heat-not-burn related products and related accessories;

“**Promoter**” has the meaning ascribed to it in the *Securities Act* (British Columbia);

“**RRD**” means R&R&D Solutions Inc.;

“**RRD Purchase Agreement**” means the share purchase agreement entered into on January 31, 2022 between Ultron, RRD and the RRD Shareholders;

“**RRD Shares**” means the issued and outstanding Common Shares in the capital of RRD;

“**RRD Shareholders**” mean the holders of the RRD Shares;

“**RSU**” means a restricted share unit granted pursuant to the Plan;

“**SARS-CoV-2**” severe acute respiratory syndrome coronavirus 2;

“**SAAS**” means software-as-a-service;

“**Series 1 Shares**” has the meaning ascribed to it in “*CORPORATE STRUCTURE*” – “*Corporate Structure of the Company”;*

“**Shares**” means, at the specified time, the issued and outstanding shares, of all class, in the capital of the Company;

"**Shareholders**" means the holders of Shares;

"**Subco**" means 1399318 B.C. Ltd.;

"**SV Shares**" means the Subordinate Voting shares in the capital of the Company;

"**Transaction**" means the completion of the Amalgamation and the Business Combination, which will constitute a Fundamental Change;

"**Ultron**" means Ultron Capital Corp.;

"**Ultron Shares**" means the issued and outstanding Common Shares in the capital of Ultron;

"**Ultron Shareholders**" means the holders of the Ultron Shares; and

"**United States**" or "**U.S.**" means the United States of America.

## EXCHANGE RATE INFORMATION

In this Listing Statement, all references to "$" refer to Canadian dollars and all references to "US$" refer to U.S. dollars. The daily exchange rate on April 14, 2023 as reported by the Bank of Canada was US$1.00 = $1.3362.

## FORWARD-LOOKING INFORMATION

This Listing Statement contains forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "does not expect", "estimates", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or states that certain actions, events or results "may", "could", "would", "might" or "will" be taken to occur or be achieved.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Without limitation, this document may contain forward-looking statements pertaining to the following:

- The Company's capital and organizational structure;
- The Company's expected working capital;
- The Company's business plans and strategies including targets for future growth;
- The development of the Company's business;
- Expansion, developments and production targets and growth profile;
- Expectations with respect to future opportunities;

- Capital expenditure programs and future capital requirements;
- The receipt of regulatory and stock exchange approvals;
- Supply and demand fundamentals for products and services of the Company;
- The Company's plans regarding and composition of principal securityholders, directors, officers, Promoters and management;
- The Company's plans and funding for planned development activities and the expected results of such activities;
- The Company's treatment under governmental and international regulatory regimes and intellectual property laws;
- The Company's future general and administrative expenses;
- The Company's access to capital and overall strategy and development plans for all of the Company's assets;
- Expectations on how the Company will manage product development and marketing risks; and
- The business and strategic plans of the Company.

With respect to forward-looking statements and forward-looking information contained in this Listing Statement, numerous assumptions have been made regarding, among other things:

- General business and economic conditions;
- Current and future share prices;
- The future operational and financial activities of the Company generally;
- The Company's ability to obtain appropriate intellectual property applications and protections in a timely and cost-efficient manner;
- Fluctuations in foreign currency exchange rates, business prospects and opportunities;
- The regulatory framework governing intellectually property in the jurisdictions in which the Company will conduct its business and any other jurisdictions in which the Company may conduct its business in the future;
- Trade secrets, know-how, contractual provisions and confidentiality procedures to protect the Company's intellectual property rights;
- The Company's ability to comply with the regulatory bodies governing its activities;
- Future capital expenditures to be made by the Company;
- Current and future sources of funding for capital programs and the Company's ability to obtain financing on acceptable terms;
- The impact of competition on the Company;

- The impact of SARS-CoV-2, the COVID-19 pandemic and other future viruses;
- The impact of the Business Combination on the Company;
- Political developments or instability;
- Changes in law; and
- Anticipated and unanticipated costs.

The foregoing list of assumptions is not exhaustive. Actual results could differ materially from those anticipated in forward-looking statements as a result of various events and circumstances, including, among other things, the risk factors set forth under the heading "*Risk Factors*".

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this Listing Statement. These factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this Listing Statement. All subsequent forward-looking information of the Company herein is expressly qualified in its entirety by the cautionary statements contained in or referred to herein. The Company does not undertake any obligation to release publicly any revisions to this forward-looking information to reflect events or circumstances that occur after the date of this Listing Statement or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

## 2) CORPORATE STRUCTURE

### Corporate Structure of the Company

The full corporate name of the Company is Generative AI Solutions Corp. and the Company exists under the laws of the BCBCA. The Company's head office and its registered office is located at 550 Burrard Street, Suite 2300, Vancouver, British Columbia, V6C 2B5.

The Company was incorporated as Gamora Capital Corp. under the BCBCA on July 6, 2018. On December 8, 2020, the Company, through a special resolution of all voting shareholders approved creation of a share structure consisting of (i) an unlimited number of preferred shares without par value (the "**Preferred Shares**") and (ii) an unlimited number of Series 1 Preferred shares without par value (the "**Series 1 Shares**").

On February 8, 2021, the Company and Poda Tech entered into an arrangement agreement. The Company, by way of a court approved plan of arrangement under the provisions of Division 5 of Part 9 of the BCBCA, acquired all of the issued and outstanding common and preferred shares of Poda Tech in exchange for Preferred Shares to be issued as consideration pursuant to the plan of arrangement.

On March 11, 2021, the Company changed its name to "*PODA Lifestyle and Wellness Ltd.*".

On April 27, 2021, the Notice of Articles were amended to change the authorized capital of the Company by, (i) redesignating the Common shares to be SV Shares; (ii) redesignating the Series 1 Preferred shares to be MV Shares; and (iii) removing the Preferred shares, of which none were authorized.

On May 4, 2021, the Company's SV Shares were approved for listing on the CSE and commenced trading at market open on May 4, 2021, under the symbol 'PODA'.

On June 26, 2021, the Company entered into a Management Services Agreement with Michael Nederhoff, to provide management and corporate advisory services, effective July 1, 2021.

On September 27, 2021, the Company changed its name to "*PODA Holdings Inc.*".

In January 2022, the Company began trading on the OTCQB exchange.

On February 28, 2022, an amalgamation application was filed to amalgamate the Company and Poda Tech. The amalgamated entity adopted the Notice of Articles of the Company. On March 1, 2022, the Company completed an amalgamation with Poda Tech under the name of "*Poda Holdings Inc.*".

On June 22, 2022, Notice of Articles and notice of alteration were issued.

On June 24, 2022, the Company changed its name to "*Idle Lifestyle Inc.*".

On February 4, 2023 the Company changed its name from "*Idle Lifestyle Inc.*" to Generative AI Solutions Corp.

On February 13, 2023, the Company Consolidated the SV Shares and the MV Shares on a 30:1 basis. For greater certainty, all securities of the Company are expressed in this Listing Statement on a post-Consolidation basis.

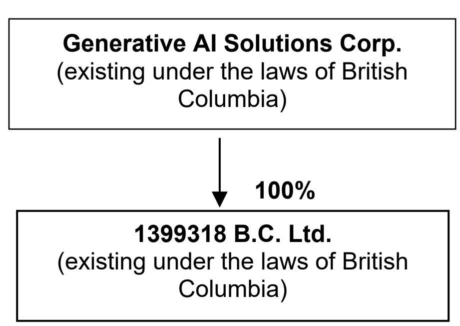
On April 11, 2023, the Company's MV and SV Shareholders each approved, by way of special resolution of each class of Shareholders, to alter the Company's Notice of Articles and Articles to amend the Company's authorized capital by, (i) creating a new class of Common Shares in the capital of the Company; (ii) redesignating the SV Shares to be Class B Shares; (iii) amending the rights and restrictions of the Class B Shares so that the Class B Shares shall be converted into Common Shares, such that, on a per-holder basis, 10% of the issued and outstanding Class B Shares will be converted into Common Shares on a date that is 24 months after the Business Combination, and 15% are to be converted every 3 months thereafter; and (iii) by amending the rights and restrictions of the MV Shares such that they are to be converted (the "**MV Share Conversion**") into Class B Shares immediately upon a resolution of the Board approving the conversion on a 1,000 Class B Shares for each MV Share basis.

On April 13, 2023, following giving effect to the MV Share Conversion, following which there were no longer any MV Shares issued and outstanding, the Company also altered its Notice of Articles and Articles to delete the MV Shares from the Company's share structure.

On April 17, 2023, the Business Combination was closed in full (See *General Development of the Business – Business Combination*, below, for further particulars on the Business Combination).

**<u>Intercorporate Relationships of the Company Prior to the Fundamental Change</u>**

Prior to the Fundamental Change, the Company had one wholly-owned subsidiary. The following diagram illustrates the corporate structure of the Company and its material subsidiaries prior to the Fundamental Change including the jurisdictions of incorporation:



**Corporate Structure of RRD**

The full corporate name of RRD is R&R&D Solutions Inc. and RRD exists under the laws of the BCBCA. RRD's head office and its registered office is located at 550 Burrard Street, Suite 1008, Vancouver, British Columbia, V6C 2B5. As of the date of this Listing Statement, the RRD Shares are not currently listed or quoted on any stock exchange or quotation system, and have not been during any time since RRD was incorporated. RRD also has no history as a reporting issuer.

RRD was incorporated under the BCBCA on January 17, 2022 and changed its name to RRD on October 12, 2022.

On October 12, 2022, the notice of articles were amended to change the authorized capital of RRD by (i) redesignating its Common Shares to be Class A Shares; and (ii) adding Class B, C, D, E and F Shares.

On January 31, 2023 RRD and its shareholders entered into a share purchase agreement with Ultron, pursuant to which, Ultron agreed to purchase all of the outstanding shares of RRD from its shareholders as consideration for 42,801,000 Common Shares in the capital of Ultron. The deemed purchase price was $0.15 per RRD Share for an aggregate deemed purchase price of $6,420,150. The primary asset of RRD was certain intellectual property rights which will ultimately be used for the development of Classmate. Such intellectual property rights were acquired by RRD pursuant to an Asset Sale and Purchase Agreement dated December 31, 2022 entered into between RRD and SevenEight Limited (the "**SevenEight Purchase**"). The intellectual property rights acquired pursuant to the SevenEight Purchase are not currently subject to any patents and were acquired for a purchase price of $150,000.

**Intercorporate Relationships of RRD**

RRD has no subsidiaries as of the date of this Listing Statement.

**Corporate Structure of Ultron**

The full corporate name of the Ultron is Ultron Capital Corp. and Ultron exists under the laws of the BCBCA. Ultron's head office and its registered office is located at 3292 Production Way, Suite 501, Burnaby, British Columbia, V5A 3R3. As of the date of this Listing Statement, the Ultron Shares are not currently listed or quoted on any stock exchange or quotation system, and have not been during any time since Ultron was incorporated. Ultron also has no history as a reporting issuer.

Ultron was incorporated under the BCBCA on July 6, 2018 and changed its name to "*Metachain Holdings Inc.*" on February 25, 2022.

On June 16, 2022, Ultron changed its name from "*Metachain Holdings Inc.*" to "*Ultron Capital Corp.*".

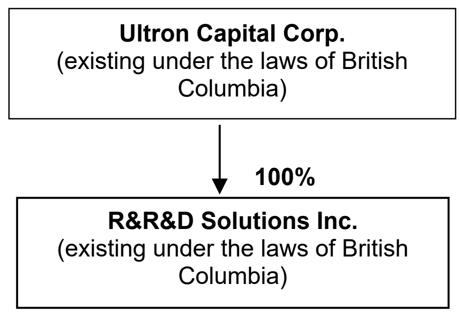
On January 25, 2023, Ultron entered into a letter of intent with the Company, in respect of the Transaction, and on February 16, 2023. Ultron entered into the Business Combination Agreement with the Company and Subco, pursuant to which Ultron, the Company and Subco intend to complete the Fundamental Change, including the Amalgamation.

On January 31, 2023, Ultron entered into a share purchase agreement with RRD and its shareholders, pursuant to which, Ultron agreed to purchase all of the outstanding shares of RRD from its shareholders as consideration for 42,801,000 Common Shares in the capital of Ultron. For more information on the RRD Purchase Agreement, please see "*CORPORATE STRUCTURE – Corporate Structure of RRD*".

Additionally, readers are encouraged to refer to the RRD Purchase Agreement, a copy of which is available at www.sedar.com.

**Intercorporate Relationships of Ultron**

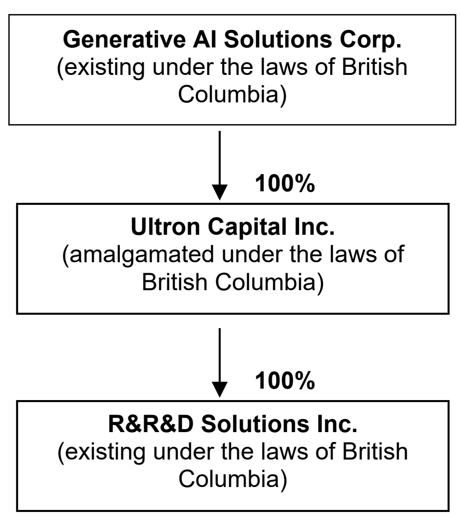
Immediately prior to the closing of the Business Combination, Ultron had one wholly-owned subsidiary. The following diagram illustrates the corporate structure of Ultron and its material subsidiaries including the jurisdictions of incorporation:




Ultron is a wholly owned subsidiary of the Company.

**Intercorporate Relationships of the Company Following the Fundamental Change**

Following the Fundamental Change, at as at the date of this Listing Statement, the Company has two wholly-owned subsidiaries. The following diagram illustrates the corporate structure of the Company following the Fundamental Change and its material subsidiaries including the jurisdictions of incorporation:



## 3) GENERAL DEVELOPMENT OF THE BUSINESS

**The Company**

The Company was incorporated under the BCBCA on July 6, 2018 and engaged in the principal business of designing, developing and producing new and improved HNBT for the consumption of tobacco and other materials.

On October 31, 2019, the Company completed a working prototype and selected manufactures for the industrial design and manufacture of HNBT heating device and disposable pods.

On January 7, 2020, the Company was granted Canadian utility patent number 3,039,570 by Innovation, Science and Economic Development Canada, Canadian Intellectual Property Office, for its primary technologies, and corresponding national phase applications were filed in over 60 counties. Additionally, the Company had multiple provisional and international Patent Cooperation Treaty patents pending.

On March 11, 2022, the Company announced that it had signed a purchase agreement with its Chinese manufacturing partner to acquire "Poda Pod" manufacturing equipment, 15 patent applications related to the "Poda Pod" technology, and three Chinese trademarks for approximately $3,450,000 payable in cash. The manufacturing equipment was comprised of all proprietary custom-built equipment for Poda Pods production capable of producing an estimated 5 million Poda Pods per annum. All manufacturing equipment was shipped to Vancouver, British Columbia. The 15 patent applications were filed in China and represent unique product design and manufacturing methods applicable to the development and large-scale production of Poda Pods.

On May 4, 2021, the Company completed a listing of its SV Shares on the CSE.

On May 13, 2022, the Company and Altria, an arm's length party, entered into Altria Sale pursuant to which the Company agreed to sell and Altria agreed to purchase, the PODA Assets. Prior to entering into the Altria Sale, the Company obtained a fairness opinion from Stifel Nicolaus Canada Inc. dated May 12, 2022 that confirmed the purchase price contemplated in the Altria Sale was fair, from a financial point of view. The Altria Sale closed on June 24, 2022 and a total of US$100,500,000 was paid as cash consideration for the PODA Assets. Following the completion of the Altria Sale, the Company did not have any active business operations.

On July 26, 2022, the Company announced the payment of a special dividend, and approved the return of capital on its SV and MV Shares, in an amount equal to $12.30 per SV Share and $12.30 per MV Share on a post-Consolidation and as-converted to SV Share basis ($0.41 per SV Share and $0.41 per MV Share on a pre-Consolidation basis and as-converted to SV Share basis).

On January 25, 2023, the Company entered into a letter of intent with Ultron proposing the Business Combination.

On February 10, 2023, in connection with the execution of the Business Combination Agreement, trading of the SV Shares was halted by the CSE.

On February 16, 2023, the Company entered into the Business Combination Agreement in respect of the Business Combination. For further information regarding the Business Combination, please see "*General Development of the Business – Business Combination*". Additionally, readers are encouraged to refer to the Business Combination Agreement, a copy of which has been filed by the Company with the Canadian securities regulatory authorities and is available at www.sedar.com.

On April 11, 2023, the Company's MV and SV Shareholders each approved, by way of special resolution of each class of Shareholders, an alteration to the Company's authorized capital.

On April 13, 2023, the Company's Board converted all of the outstanding MV Shares into Class B Shares. For further information regarding the amendment to the Company's authorized capital and subsequent Share conversion, please see "CORPORATE STRUCTURE – Corporate Structure of the Company". Additionally, readers are encouraged to refer to the Company's management information circular dated March 10, 2023, a copy of which is available at www.sedar.com.

On April 17, 2023, the Business Combination was closed in full (See *General Development of the Business – Business Combination*, below, for further particulars on the Business Combination).

The Company is a reporting issuer under the laws of the Provinces of Alberta, British Columbia, Manitoba, Newfoundland, New Brunswick, Nova Scotia, Ontario, Prince Edward Island, Saskatchewan and Quebec.

**Ultron**

Ultron was incorporated under the BCBCA on July 6, 2018.

On January 25, 2023, Ultron entered into a letter of intent with the Company proposing the Business Combination. On January 31, 2023, Ultron entered into the RRD Purchase Agreement, pursuant to which, Ultron agreed to purchase all of the issued and outstanding RRD Shares in consideration for 42,801,000 Ultron Shares. The RRD Purchase Agreement resulted in the change of business of Ultron to a company specializing in the development and application of artificial intelligence technology. For more information on the RRD Purchase Agreement, please see "*CORPORATE STRUCTURE – Corporate Structure of RRD*". Additionally, readers are encouraged to refer to the RRD Purchase Agreement, a copy of which is available at www.sedar.com.

On January 31, 2023, Ultron completed a non-brokered private placement of 200,000 special warrants at a price of $0.05 per special warrant for aggregate gross proceeds of $10,000.

On February 16, 2023, Ultron entered into the Business Combination Agreement. For further information regarding the Business Combination, please see "*General Development of the Business – Business Combination*". Additionally, readers are encouraged to refer to the Business Combination Agreement, a copy of which has been filed by the Company with the Canadian securities regulatory authorities and is available at www.sedar.com.

On March 7, 2023, Ultron completed a non-brokered private placement of Ultron Shares, issuing an aggregate of 8,175,000 Ultron Shares at a price of $0.15 per Ultron Share for aggregate gross proceeds of $1,226,250.

On April 17, 2023, the Business Combination was closed in full (See *General Development of the Business – Business Combination*, below, for further particulars on the Business Combination).

**RRD**

RRD was incorporated under the BCBCA on January 17, 2022.

On November 15, 2022, RRD completed a non-brokered private placement of RRD Shares, issuing an aggregate of 428,000 RRD Shares at a price of $0.01 per RRD Share for aggregate gross proceeds of $428,000

On January 31, 2023, RRD entered into the RRD Purchase Agreement, pursuant to which, RRD agreed to sell, and Ultron agreed to purchase all of the issued and outstanding RRD Shares in consideration for 42,801,000 Ultron Shares. For more information on the RRD Purchase Agreement, please see

"*CORPORATE STRUCTURE – Corporate Structure of RRD*". Additionally, readers are encouraged to refer to the RRD Purchase Agreement, a copy of which is available at www.sedar.com.

**Business Combination**

On January 25, 2023, the Company entered into a letter of intent with Ultron proposing the Business Combination. On February 16, 2023, the Company entered into the Business Combination Agreement with Ultron providing for the definitive terms and conditions of the reverse takeover of the Company by the Ultron Shareholders and the change of the Company's business to the business of Ultron.

On April 17, 2023 the Company completed the Business Combination, which was effected by way of a three-cornered statutory amalgamation under the BCBCA (the "**Amalgamation**") involving the Company, Ultron and a wholly-owned subsidiary of the Company, Subco. Conditional to the completion of the Business Combination, the Company exchanged the MV Shares on a 1:1000 basis for Class B Shares and created a new class of Common Shares. For additional information on the share exchange, please see "*CORPORATE STRUCTURE – Corporate Structure of the Company*". In accordance with the terms of the Amalgamation, Ultron Shareholders received one Common Share for each Ultron Share held. The Company received one (1) common share in the amalgamated entity (each an "**Amalco Common Share**"), Ultron Capital Inc. ("**Amalco**"), for each common share of Subco held. As consideration for the issuance of the Common Shares to the Ultron Shareholders to effect the Amalgamation, Amalco issued to the Company one (1) additional Amalco Common Share for each Common Share so issued. An aggregate of 51,176,001 Common Shares were issued to former holders of Ultron Shares resulting in former Ultron Shareholders holding approximately 90.2% of the issued and outstanding Shares of the Company, on a non-diluted basis.

The Board was reconstituted to be comprised of Ryan Selby, Aaron Bowden, and Patrick Gray. Ryan Selby was also appointed as CEO of the Company and Paul Ciullo was appointed as CFO of the Company. For additional information on the directors and officers of the Company, please see *"Directors and Officers – Directors, Officers and Management of the Company*".

For more information on the outstanding capital of the Company, please see "*Consolidated Capitalization*" and "*Description of Securities*".

## 4) NARRATIVE DESCRIPTION OF THE BUSINESS

**General Business of the Company**

Following the Transaction, the Company became an artificial intelligence technology company focused on developing and scaling artificial intelligence technology-based solutions across industries. Initially, the Company will be focusing on the education industry and will be working with schools and students to leverage the power of machine learning and natural language processing to improve efficiency, accuracy and decision-making in studying.

The Company will initially focus on the education industry because this industry is facing significant challenges as the result of the increased volume and complexity of data required to aid students in crafting efficient and effective study plans.

The Company's technology is uniquely positioned to improve the issues in the education industry by, (i) allowing students the opportunity to save time and resources spent on deciding which areas of study they need improvement in; (ii) reducing the risk of misdiagnosing problem areas; (iii) providing real-time insights and recommendations to enable more efficient decision-making in the area; and (iv) providing the opportunity to leverage the full potential of the data collected to drive innovation and learning.

The Company specializes in the development and application of artificial intelligence technology, focusing its initial technology on the education industry. The Company plans to work with schools and students to leverage the power of machine learning and natural language processing to improve efficiency, accuracy, and decision-making.

The Company's team is made up of experienced AI researchers and engineers who are dedicated to creating innovative solutions that are both technically advanced and ethically responsible. The Company is committed to transparency and accountability in its work, and prioritizes diversity and inclusivity in its hiring and business practices.

Through collaboration with partners and customers, the Company aims to create solutions that are scalable, sustainable, and accessible to all. The Company is committed to continuous learning and improvement, to explore the limitless possibilities of AI.

The Company's principal product is an online artificial intelligence program that uses machine learning algorithms to analyze and interpret education data which is entered into its chat-style interface, with the objective of providing virtual machine-interface tutoring to high-school (grades 9-12) age, as well as junior-level university students. The product, which the Company expects to market under the name "Classmate" is currently under development and was acquired as part of the RRD Purchase Agreement. The development of Classmate began in the second calendar quarter of 2022. Currently, there is a beta version of classmate that Company expects to reasonably demonstrate the anticipated functionality of the final product in the fourth calendar quarter of 2023 or the first calendar quarter of 2024. The final version of Classmate is expected to analyze data works to provide real-time insights and recommendations to its users, enabling them to make data-driven decisions quickly and accurately.

Classmate will rely on a range of artificial intelligence models and methods, including language models and reinforcement learning, for a personalized learning experience. Classmate learns in real-time by interacting with students and automatically adapts content and learning activities by drawing information from internet-based databases and search engines. The primary interface for Classmate requires input from the student in what resembles a chat or instant messaging interface; Classmate then responds with succinct information in the same chat interface, and provides relevant links, images or other information presented in appropriate media to respond to the question. Classmate also has the ability to solve undergraduate-level mathematical equations, and to show the user the steps and elements required to come to the answer, in effect showing the student the work required to get to the answer.

The Company's target market is the education industry which is facing significant challenges due to the increasing volume and complexity of data and increasing need for one-on-one and personalized learning to which modern curriculum is geared. Traditional methods of tutoring are time-consuming and inefficient, which results in missed opportunities for those that cannot otherwise access traditional educational or tutoring services. Classmate helps students gain a competitive edge and improve student learning:

- saving time and resources by automating data analysis and interaction with students;
- reducing the risk of errors and increasing the accuracy of information and explanations;
- providing real-time insights and recommendations for further study; and
- enabling students to leverage the full potential of their data to drive innovation and learning.

The intellectual property acquired by the Company and used for the Classmate product is proprietary and is protected by copyright and trade secret, but at this time no patents exist in respect of the product, and the Company does not expect to seek patents in respect of the product.

*Machine Learning*

Artificial intelligence is an umbrella term that refers to computers that exhibit any form of human cognition. It is a term used to describe the way computers mimic human intelligence. Even by this definition of ‘intelligence’, the way AI functions is inherently different from the way humans think.

Machine learning is the basis of artificial intelligence and uses algorithms that are built into computer programs that can learn from data. They gather information from the data presented to them and use it to make themselves better at a given task. Classmate uses online information from various sources on the internet to compare and distill information in order to prepare a response to a question that is input based on an aggregation of online data.

The algorithm is trained enough to ensure a high degree of accuracy by distilling information which appears in multiple sources of content, even if the material is not identical. Any new input that is processed also contributes towards enhancing the accuracy of the algorithm to aggregate information.

There are many benefits to using artificial intelligence in the education industry, as well as others. Five core benefits include:

1) **Increased efficiency**: AI can automate tasks and processes, freeing up human workers to focus on higher-level tasks and decision-making. This can lead to faster and more accurate results, as well as cost savings.

2) **Enhanced decision-making**: AI can analyze large amounts of data and identify patterns and trends that may not be immediately apparent to humans. This can help organizations make more informed and accurate decisions.

3) **Improved customer experience**: AI can be used to personalize customer interactions, providing personalized recommendations and support in real-time. This can lead to increased customer satisfaction and loyalty.

4) **Greater accuracy**: AI algorithms can be trained to perform tasks with a high degree of accuracy, reducing the likelihood of errors.

5) **Innovation and new opportunities**: AI can help organizations discover new insights and opportunities that were previously hidden, leading to innovation and growth.

At this time the Company is focusing its business on the education industry, however it is expected that once the Classmate product is functional, the Company will consider other industries or applications of its AI technology.

*Operations and our path to monetization*

The Company’s core operations are based in Canada. The Company’s operations are focused on research and development, product development, marketing and sales of Classmate.

The market for AI technology in the education market is growing rapidly, with a current global value of US$4 billion and an anticipated 10% CAGR from 2023 to 2034.[1] There is a strong demand for solutions that can help businesses in education to improve their operations and gain a competitive edge through the use of AI. The Company believes its unique AI technology and experienced team will position them to capture a significant share of this growing market.

---

[1] AI in Education Market Size & Share, Forecast Report 2023-2032 (gminsights.com)

There are many companies that compete in the AI market, offering a range of products and solutions across various industries. Some examples of AI competitors include:

- Google, which offers a range of AI products and services, including machine learning platforms, natural language processing tools, and automated decision-making systems;
- IBM, which offers a range of AI products and services that leverage its Watson AI platform, including chatbots, machine learning tools, and natural language processing solutions;
- Microsoft, which offers a range of AI products and services, including machine learning platforms, natural language processing tools, and image recognition systems;
- Amazon, which offers a range of AI products and services that leverage its AWS cloud platform, including machine learning tools, natural language processing solutions, and image recognition systems; and
- Intel, which offers hardware and software for AI, including machine learning platforms, natural language processing tools, and image recognition systems.

The target market of these competitors is generally large-scale enterprises, with consumer products, including education, taking a lower priority. The Company anticipates that larger competitors such as Google, IBM, Microsoft, Amazon and Intel will increase awareness for the products which the Company anticipates developing, while leaving certain sectors such as direct-to-student education products such as Classmate as a lucrative market that the Company can capitalize on.

The Company has not yet developed a revenue model, and is considering ways in which it can derive revenue from its product. The final revenue model may consist of one or more of the following, which will be determined prior to commercialization of the product:

| Revenue Model | Description | Example |
|---|---|---|
| Subscription | Charge customers a regular fee to access the company's AI technology | SaaS platform |
| License | Charge customers a one-time fee to use the company's AI technology | On-premises software |
| Pay-per-use | Charge customers based on their usage of the company's AI technology | Cloud-based AI platform |
| Services | Provide AI-powered services to customers on a project or hourly basis | Consulting or custom development services |
| Revenue share | Share a portion of the revenue generated by the company's AI technology with the customer | AI technology used to drive sales or increase efficiency for the customer |

Stated Business Objectives

The Company's business will be the same as Ultron's business which is the business of being an artificial intelligence technology company that researches, develops, and distributes proprietary and patented artificial intelligence based solutions.

Milestones

The following table sets out the Company's business milestones, as well as the expected timeframe for, and cost of, achieving same:

| Milestone | Estimated Completion Date | Estimated Cost ($) |
|---|---|---|
| Finalize back end development of artificial intelligence related to Classmate general subject matter | June 30, 2023 | 100,000 |
| Expand on Classmate subjects to include all major high school disciplines | December 31, 2023 | 400,000 |
| Commercialize Classmate including deploying sales and marketing plan | May 30, 2024 | 200,000 |
| **Total** | | **700,000** |

Available Funds and Principal Purposes

The Company is expected to have approximately $2,314,000 in working capital available to it on the Listing Date following completion of the Business Combination. The Company is expected to use the funds available to it in furtherance of its stated business objectives for the 12 months following the Listing which are summarized in the table appearing below. The intended uses of funds may vary based upon a number of factors and such variances may be material. *See "Forward-Looking Information"* and *"Risk Factors."*

The amounts shown in the table are estimates only and are based upon the information available to the Company as of the date hereof:

| | Estimated Amount ($) |
|---|---|
| Estimated working capital of the Company as at March 31, 2023 | 800,000 |
| Estimated working capital of Ultron as at March 31, 2023 | 1,514,000 |
| Total working capital as of March 31, 2023 | **2,314,000** |
| Uses of Funds: | |
| General and administrative(1) | 671,000 |
| Product development(2) | 500,000 |
| Sales and marketing(3) | 200,000 |
| Professional fees(4) | 125,000 |
| Unallocated working capital(5) | 818,000 |
| Total Uses | **2,314,000** |

Notes:

(1) Includes salaries ($216,000), advisory ($120,000) and contractor fees ($180,000), general office expense ($20,000), rent ($60,000) and professional fees ($75,000). For greater certainty, as of the date hereof the Company does not intend to allocate any of its available funds for investor relations or similar purposes.

(2) Includes the design and mockup of additional functionality within the application; performance testing and revisions; writing code for the final version of the application; and modifications and maintenance after release.

(3) Includes brand development activities ($50,000), search engine optimization ($50,000) and expenses related to the sales team ($100,000).

(4) Includes unpaid professional fees for the completion of the Business Combination. Ongoing professional fees are included under the general and administrative heading

(5) As a result of the Company's business model, the Company does not believe that it can allocate all of its cash with certainty. As such, the Company has not specifically allocated all of its available funds. Decisions on the allocation of unallocated funds will depend on the development and evolution of the Classmate app, continuing market research on the best way to deploy the technology and underlying product and market conditions, all of which may evolve over time and may include unplanned costs and expenses. Until such unallocated proceeds are used, the Company intends to invest available cash in short-term, investment grade, interest bearing instruments or hold them as cash

Notwithstanding the proposed uses of available funds set out above, there may be circumstances where, for sound business reasons, a reallocation of funds or additional funds may be necessary. It is difficult, at this time, to definitively project the total funds necessary to effect the planned activities of the Company. For these reasons, management of the Company consider it to be in the best interests of the Company and its shareholders to afford management a reasonable degree of flexibility as to how the funds are employed amongst the uses identified above, or for other purposes, as the need arises. Further, the above uses of available funds should be considered estimates. See "*Forward-Looking Information*".

## 5) SELECT CONSOLIDATED FINANCIAL INFORMATION

**Annual Information of the Company**

The Company incurred costs in seeking, evaluating and negotiating a potential reverse takeover transaction, and to satisfy the continuous disclosure obligations required of it as a reporting issuer. The table below sets forth certain selected balance sheet data and financial information of the Company as at and for the financial years ended February 28, 2022 (audited) and for the three and nine months ending November 30, 2022 (unaudited). Such data has been derived from the financial statements of the Company for such periods, which have been attached hereto under Appendix “A”.

The financial statements of the Company were prepared in accordance with IFRS as issued by the International Accounting Standards Board and the Interpretations of International Financial Interpretations Committee. The financial statements of the Company were further prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value.

| | Nine months ended November 30, 2022 (unaudited) ($) | 13 months ended February 28, 2022 (audited) ($) |
|---|---|---|
| Net Sales or Total Revenues | - | - |
| Income (Loss) from Continuing Operations | 52,209,384 | (11,047,210) |
| Net Income or (Loss), in Total | 52,209,384 | (11,047,210) |
| Total Assets | 3,846,066 | 13,911,651 |
| Total Long Term Financial Liabilities | - | 604,507 |
| Cash Dividends Declared | 68,257,320 | - |
| Working Capital (Deficiency) | 530,770 | 12,996,666 |
| Shareholders’ Equity (Deficiency) | 530,771 | 12,392,160 |

**Annual Information of Ultron**

The table below sets forth certain selected balance sheet data and financial information of Ultron as at and for the financial year ended January 31, 2023 (audited). Such data has been derived from the financial statements of Ultron for the annual period, which have been attached hereto under Appendix “C”.

The financial statements of Ultron were prepared in accordance with IFRS as issued by the International Accounting Standards Board and the Interpretations of International Financial Interpretations Committee. The financial statements of Ultron were also prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value.

| | Year ended January 31, 2023 (audited) ($) |
|---|---|
| Net Sales or Total Revenues | - |
| Income (Loss) from Continuing Operations | 15,245 |
| Net Income (Loss), in Total | 15,245 |
| Total Assets | 946,241 |
| Total Long Term Financial Liabilities | 226,912 |
| Cash Dividends Declared | - |
| Working Capital (Deficiency) | 617,157 |
| Shareholders' Equity (Deficiency) | 540,245 |

## Quarterly Information of the Company

The results for each of the eight most recently completed quarters of the Company ending at the end of the most recently completed interim period, being November 30, 2022, are summarized below:

| | Q4 2021 ($) | Q1 2022 ($) | Q2 2022 ($) | Q3 2022 ($) | Q4 2022 ($) | Q1 2023 ($) | Q2 2023 ($) | Q3 2023 ($) |
|---|---|---|---|---|---|---|---|---|
| **Total Revenues** | - | - | - | - | - | - | - | - |
| **Net Income (Loss)** | (24,555) | (1,021,023) | (3,020,137) | (1,877,438) | (4,995,420) | (2,374,081) | 54,870,603 | (287,138) |
| **Net Income (Loss) per Class B Share** | (0.00) | (0.07) | (0.12) | (0.05) | (0.21) | (0.04) | 0.75 | (0.00) |

## Quarterly Information of Ultron

The results for each of the eight most recently completed quarters of Ultron ending at the end of the most recently completed interim period, being January 31, 2023, are summarized below:

| | FISCAL 2022 | | | | FISCAL 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Q1 ($) | Q2 ($) | Q3 ($) | Q4 ($) | Q1 ($) | Q2 ($) | Q3 ($) | Q4 ($) |
| **Total Revenues** | - | - | - | - | - | - | - | - |
| **Net Income (Loss)** | - | - | - | (1,210) | - | - | - | 15,245 |
| **Net Income (Loss) per Common Share** | - | - | - | (1.21) | - | - | - | 0.00 |

## Pro Forma Financial Information of the Company

The following table presents selected unaudited pro forma financial information for the Company for the year ending February 28, 2022 and the interim nine month period ending November 30, 2022 after giving effect to the Business Combination.

| | Year ended February 28, 2022 | Nine month interim period ended November 30, 2022 |
|---|---|---|
| **Revenue** | - | - |
| **Gain on disposal of assets** | - | 67,817,449 |
| **Total expenses** | 12,233,358 | 12,271,636 |
| **Net income (loss)** | (12,366,550) | 52,169,247 |

The unaudited pro forma consolidated financial statements of the Company have been attached hereto under Appendix “A”.

**Dividends**

On July 26, 2022, the Board declared the payment of a special dividend and approved the return of capital, on its SV and MV Shares for a total aggregate distribution of approximately $68,200,000. The distribution comprised $12.30 per SV Share and $12.30 per MV Share on a post-Consolidation and as if converted to SV Shares basis (0.41 per SV Share and $0.41 per MV Share on a pre-Consolidation and as if converted to SV Shares basis).

Ultron did not pay any dividends during the financial periods noted above.

There are no restrictions in the Company’s Notice of Articles or Articles that could prevent the Company from paying dividends. The payment of any dividends on the Shares is not anticipated in the foreseeable future. Any decision to pay dividends on the Shares will be made by the Board on the basis of the Company’s earnings, financial requirements and other conditions existing at such future time.

## 6) MANAGEMENT’S DISCUSSION AND ANALYSIS

**Company MD&A**

The Company’s management’s discussion and analysis for the financial year ended February 28, 2022 and for the three and nine months ended November 30, 2022 provide further information in respect of the financial condition and results of operations of the Company to enable a reader to assess any material changes in the financial condition and results of operations for the relevant periods, which have been attached hereto as Appendix “B”.

**Ultron MD&A**

Ultron’s management’s discussion and analysis for the financial year ended January 31, 2023 provide a discussion and analysis of the financial condition and results of operations of Ultron to enable a reader to assess any material changes in the financial condition and results of operations for the relevant periods, which are attached hereto as Appendix “D”.

## 7) MARKET FOR SECURITIES

The Company’s Shares were listed and posted for trading on the CSE under the symbol “IDLE.X”. The Common Shares have also been conditionally accepted for listing on the CSE under the symbol “AICO”. The following table sets out trading information for the Shares on the CSE for the periods indicated, on a post-Consolidation basis:

| Period | High ($) | Low ($) | Volume |
|---|---|---|---|
| January 2022 | 12.60 | 8.25 | 38,287 |
| February 2022 | 9.90 | 5.70 | 59,391 |
| March 2022 | 7.80 | 3.60 | 155,344 |
| April 2022 | 7.50 | 4.50 | 39,834 |
| May 2022 | 10.95 | 4.20 | 215,056 |
| June 2022 | 11.10 | 7.50 | 196,556 |
| July 2022 | 12.30 | 6.00 | 218,282 |
| August 2022 | 0.45 | 0.30 | 389,286 |
| September 2022 | 0.60 | 0.15 | 250,604 |
| October 2022 | 0.75 | 0.30 | 135,817 |
| November 2022 | 0.45 | 0.15 | 116,458 |
| December 2022 | 0.30 | 0.15 | 32,651 |
| January 2023 | 0.75 | 0.15 | 158.971 |
| February 2023(1) | 0.60 | 0.45 | 45,293 |
| March 2023(1) | - | - | - |
| April 2023(1) | - | - | - |

Notes:

(1) Trading of the SV Shares on the CSE was voluntarily halted at the request of the Company on February 10, 2023 in connection with the Company's announcement of the Business Combination.

## 8) CONSOLIDATED CAPITALIZATION

The following table sets forth the Company's capitalization as at November 30, 2022, and on a *pro forma* basis after having given effect to the completion of the Business Combination.

| Designation | As at November 30, 2022 ($) | Pro Forma Capitalization after giving effect to the Business Combination ($) |
|---|---|---|
| **Liabilities** | | |
| Accounts payable and accrued liabilities | 3,315,295 | 3,494,379 |
| Notes payable | - | - |
| | | |
| **Shareholders' Equity** | | |
| Common Shares | 695,480 | 2,996,110 |
| Retained earnings (deficit) | (4,374,671) | (1,333,232) |
| Contributed surplus | 4,209,962 | 546,188 |
| Special Warrants | - | 10,000 |
| Convertible promissory note reserve | - | 88,200 |

The following table summarizes the Company's capitalization given effect to the completion of the Business Combination.

| Securities[1] | Outstanding upon completion of the Business Combination |
|---|---|
| Class B Shares | 5,549,373 |
| MV Shares | - |
| Common Shares | 51,176,001 |
| Options[2] | 22,900 |
| Options[3] | 4,750,000 |
| Warrants[4] | 413,011 |

Notes:

(1) See “CORPORATE STRUCTURE – Corporate Structure of the Company” for a detailed explanation of the amendments to the classes of securities.
(2) Options to purchase Class B Shares.
(3) Options to purchase Common Shares.
(4) Convertible into Class B Shares.

## 9) OPTIONS TO PURCHASE SECURITIES

On April 28, 2021, the Company adopted the Plan, which was approved by the Company’s shareholders at the annual meeting of shareholders held on December 14, 2021. The Plan provides for the grant of Options and RSUs to qualified officers, directors, employees and consultants (the “**Eligible Persons**”). The purpose of the Plan is to, among other things: (i) ensure that the interests of Eligible Persons are aligned with the interests of the Company; (ii) encourage stock ownership by Eligible Persons; and (iii) to provided compensation opportunities to attract, retain and motivate Eligible Persons.

The Plan is a rolling incentive stock opting plan. The maximum number of Class B Shares available for issuance under the Plan will not exceed 15% of the issued and outstanding Class B Shares of the Company. The maximum exercise terms of Options and RSUs granted under the plan is 10 years from the date of grant. The vesting terms of the Options and RSUs are determined at the time of grant by the Board.

The following table sets out all outstanding options to purchase Class B Shares held by the following persons:

| Category of Holder | Designation and Number of Option Securities to Purchase SV Shares held as group | Date of Grant | Issue, Conversion or Exercise Price | Expiry Date |
|---|---|---|---|---|
| All executive officers and past executive officers of the Company and all directors and past directors of the Company who are not also executive officers | **3,750,000** | **Issuable upon closing of the Business Combination** | **0.15** | **5 years from the issue date** |
| All executive officers and past executive officers of all subsidiaries of the Company and all directors and past directors of all subsidiaries of the Company who are not also executive officers | - | - | - | - |
| All other employees and past employees of the Company | - | - | - | - |
| All other employees and past employees of subsidiaries of the Company | - | - | - | - |
| All consultants of the Company | **1,022,900** | **See note 1** | **See note 2** | **5 years from the issue date** |
| **TOTAL OUTSTANDING** | **4,772,900** | | | |

Notes:

(1) 400 Options issued on March 15, 2019; 6,667 Options issued on January 15, 2021; 2,500 Options issued on March 30, 2021; 13,333 Options issued on November 1, 2021, and 1,000,000 Options issuable upon closing of the Business Combination.

(2) The March 15, 2019 Options are exercisable at a price of $4.80 per Class B Share; the January 15, March 30, and November 1 Options are exercisable at a price of $3.00 per Class B Share, and the Options issuable upon the closing of the Business Combination are exercisable at a price of $0.15 per Class B Share.

## 10) DESCRIPTION OF SECURITIES

### Class B Shares

The holders of Class B Shares are entitled to receive notice of and attend all meetings of the shareholders of the Company, except a meeting of which only the holders of another particular class or series of shares of the Company shall have the right to vote, and will be entitled to one vote in respect of each Class B Share held at such meetings. The holders of Class B Shares will be entitled to receive dividends if, as and when declared by the Board. In the event of liquidation, dissolution or winding-up of the Company, the holders of Class B Shares will be entitled to share rateably in any distribution of the property or assets of the Company, subject to the rights of holders of any other class of securities of the Company entitled to receive assets or property of the Company upon such distribution in priority or rateably with all holders of Common Shares (on an as-converted basis).

The Class B Shares shall be converted to Common Shares, such that, on a per-holder basis, 10% of the issued and outstanding Class B Shares will convert to Common Shares on a date that is 24 months after the Business Combination, and 15% are to be converted every 3 months thereafter.

**Common Shares**

The holders of Common Shares are entitled to receive notice of and attend all meetings of the shareholders of the Company, except a meeting of which only the holders of another particular class or series of shares of the Company shall have the right to vote, and will be entitled to one vote in respect of each Common Share held at such meetings. The holders of Common Shares will be entitled to receive dividends if, as and when declared by the Board. In the event of liquidation, dissolution or winding-up of the Company, the holders of Common Shares will be entitled to share rateably in any distribution of the property or assets of the Company, subject to the rights of holders of any other class of securities of the Company entitled to receive assets or property of the Company upon such distribution in priority or rateably with all holders of Class B Shares (on an as-converted basis).

## **Prior Sales**

The Company

For the 12-month period immediately prior to the date of this Listing Statement, the Company has not issued or sold any securities, other than as set out below:

| Date Issued | Post-Consolidation Number of and Type of Security[1] | Price Per Security ($) | Aggregate Issue Price ($) |
|---|---|---|---|
| January 1, 2022 | 1,667 SV Shares[3] | 4.80 | 8,000 |
| February 1, 2022 | 6,667 SV Shares[4] | 3.00 | 20,000 |
| March 3, 2022 | 173,849 SV Shares[2] | - | - |
| May 4, 2022 | 191,980 SV Shares[2] | - | - |
| May 13, 2022 | 601,667 SV Shares[4] | 3.00 | 1,805,000 |
| May 13, 2022 | 519,671 SV Shares[6] | 1.16 | 604,507 |
| May 25, 2022 | 10,000 SV Shares[3] | 3.00 | 30,000 |
| May 25, 2022 | 132,501 SV Shares[3] | 4.44 | 588,007 |
| May 27, 2022 | 2,500 SV Shares[3] | 3.00 | 7,500 |
| June 10, 2022 | 20,000 SV Shares[4] | 3.00 | 60,000 |
| June 14, 2022 | 66,667 SV Shares[4] | 3.00 | 200,000 |
| June 20, 2022 | 124,439 SV Shares[2] | - | - |
| June 27, 2022 | 40 SV Shares[2] | - | - |
| June 27, 2022 | 3,667 SV Shares[3] | 4.80 | 17,600 |
| June 28, 2022 | 33,667 SV Shares[5] | - | - |
| July 4, 2022 | 90,000 SV Shares[4] | 3.00 | 270,000 |
| July 7, 2022 | 267 SV Shares[3] | 4.79 | 1,280 |
| July 18, 2022 | 80,000 SV Shares[4] | 3.00 | 240,000 |
| July 19, 2022 | 3,333 SV Shares[3] | 3.00 | 10,000 |
| July 20, 2022 | 7,000 SV Shares[3] | 1.37 | 9,600 |
| July 20, 2022 | 5,000 SV Shares[3] | 3.00 | 15,000 |
| August 4, 2022 | 176,566 SV Shares[2] | - | - |
| August 5, 2022 | 36,670 SV Shares[2] | - | - |
| August 22, 2022 | 681 SV Shares[2] | - | - |
| November 4, 2022 | 342,319 SV Shares[2] | - | - |
| November 7, 2022 | 33,164 SV Shares[2] | - | - |
| November 8, 2022 | 12,281 SV Shares[2] | - | - |
| April 11, 2023 | 815,677 Class B Shares[7] | - | - |
| April 17, 2023 | 51,176,001 Common Shares[8] | 0.15 | $7,676,400.15 |

Notes:

(1) All shares referenced in this section are on a post-Consolidation basis. On April 11, 2023, the share structure of the Company was updated to amend the share terms of the SV Shares and redesignate the SV Shares as Class B Shares. SV Shares and Class B Shares represent the sale class of share, prior to and after the amendment of the share terms and the redesignation of the class.
(2) MV Shares converted into SV Shares.
(3) Issued pursuant to a stock option exercise.
(4) Issued pursuant to a warrant exercise.
(5) Issued pursuant to an RSU conversion.
(6) On May 25, 2022, the Company issued 519,671 SV Shares at a price of $1.16 per share to extinguish $604,507 of a convertible promissory note.
(7) MV Shares converted into Class B Shares. For further information regarding the conversion, please see “CORPORATE STRUCTURE – Corporate Structure of the Company”.
(8) Issued to former shareholders of Ultron on the closing of the Business Combination.

Ultron

For the 12-month period immediately prior to the date of this Listing Statement, Ultron has not issued or sold any securities, other than as set out below:

| Date Issued | Number of and Type of Security | Price Per Security ($) | Aggregate Issue Price ($) |
|---|---|---|---|
| January 31, 2023[(1)] | 200,000 special warrants | 0.05 | 10,000 |
| March 7, 2023[(1)] | 8,175,000 Ultron Shares | 0.15 | 1,226,250 |

Notes:

(1) Issued pursuant to a non-brokered private placement. For further information, see "*General Development of the Business– Ultron*"

RRD

For the 12-month period immediately prior to the date of this Listing Statement, RRD has not issued or sold any securities, other than as set out below:

| Date Issued | Number of and Type of Security | Price Per Security ($) | Aggregate Issue Price ($) |
|---|---|---|---|
| January 17, 2022 | 1,000 RRD Shares | 0.01 | 10 |
| November 15, 2022[(1)] | 42,800,000 RRD Shares | 0.01 | 428,000 |

Notes:

(1) Issued pursuant to a non-brokered private placement. For further information, see "*General Development of the Business*– RRD"

## 11) ESCROWED SECURITIES

Under the terms of the escrow agreement dated April 16, 2021 between the principals, the Company and Endeavor Trust Corporation, an aggregate of 53,930 Class B Shares are currently held in escrow and to be released as follows:

| Designation of class held in escrow | Number of securities subject to lock-up | Percentage of class[(1)] | Release Schedule |
|---|---|---|---|
| Class B Shares | 53,930 | 0.971% | 1/3 of the remaining escrowed securities to be released in May of 2023; 1/2 of the remaining escrowed securities to be released in November of 2023; and the remainder of the escrowed securities to be release in May of 2024. |

Notes

(1) Based on 5,549,373 Class B Shares issued and outstanding.

The following table sets out all of holders of the Class B Shares that are subject to the Escrow Agreement.

| Name of Shareholder | Number of Class B Shares held pursuant to the Escrow Agreement | Percentage of class[1] |
|---|---|---|
| Ryan Karkairan | 17,573 | 0.316% |
| Ryan Selby | 16,329 | 0.294% |
| Emerald Innovations Ltd. | 19,845 | 0.357% |
| Paul Ciullo | 183 | 0.003% |

Notes

(1) Based on 5,549,373 Class B Shares issued and outstanding.

Under the terms of the escrow agreement dated April 17, 2023 between the Selby Family Trust 2022, the Company and Endeavor Trust Corporation, an aggregate of 9,600,000 Common Shares are currently held in escrow and to be released as follows:

| Designation of class held in escrow | Number of securities subject to lock-up | Percentage of class[1] | Release Schedule |
|---|---|---|---|
| Common Shares | 9,600,000 | 18.75% | 1/10 of the escrowed securities upon completion of the Business Combination; 1/6 of the remaining escrowed securities to be released 6 months after the Business Combination; 1/5 of the remaining escrowed securities to be released 12 months after the Business Combination; 1/4 of the remaining escrowed securities to be released 18 months after the Business Combination; 1/3 of the remaining escrowed securities to be released 24 months after the Business Combination; 1/2 of the remaining escrowed securities to be released 30 months after the Business Combination; the remaining escrowed securities to be released 36 months after the Business Combination. |

Notes

(1) Based on 551,176,001 Common Shares issued and outstanding.

## 12) PRINCIPAL SHAREHOLDERS

Following the Fundamental Change, except as noted below, no person will beneficially own, directly or indirectly, or exercise control or direction over 10% or more of the Company's Shares.

| Name | Number of Shares | Percentage of class (undiluted / diluted)(1)(2) | Aggregate percentage (undiluted) |
|---|---|---|---|
| Silent Solutions Inc.(3) | 688,422 Class B Shares | 12.40% / 11.50% | 1.21% |
| EMBR Capital, LLC(4) | 659,613 Class B Shares | 11.88% / 11.02% | 1.16% |
| Selby Family Trust 2022(5) | 9,600,000 Common Shares | 18.75% / 17.17% | 16.92% |

Notes
(1) Based on 5,549,373 Class B Shares issued and outstanding.
(2) Based on 51,176,001 Common Shares issued and outstanding.
(3) The principal shareholder of Silent Solutions Inc. is High Standard Trust (2019) and the trustee of High Standard Trust (2019) is Dan Kriznic.
(4) The principal shareholder of EMBR Capital, LLC is Ryan Brucato.
(5) The principal shareholder of the Selby Family Trust 2022 is Kelly Selby, who is the spouse of Ryan Selby, the CEO of the Company.

To the knowledge of the Company, no voting trust exists such that more than 10% of any class of voting securities of the Company are held, or are to be held, subject to any voting trust or similar agreement.

## 13) DIRECTORS AND OFFICERS

### Directors, Officers and Management of the Company

The following table lists the names and municipalities of residence of the directors, officers, and promoters of the Company, their current positions and offices with the Company, respectively, their principal occupations during the last five years and the number and percentage of Shares anticipated to be owned, directly or indirectly, or over which control or discretion is exercised by each.

| Name and Municipality of Residence | Position or Office | Principal Occupation During Past 5 Years | Number and Percentage of Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly(1)(2) |
|---|---|---|---|
| Ryan Selby(3) *Richmond, British Columbia, Canada* | Director, Chief Executive Officer and Corporate Secretary | Director, President and CEO of the Company from September 10, 2018 to August 23, 2022; Research and Development Contractor, Invictus MD Strategies Corp. from August 1, 2015 to November 8, 2018; director and president of Emerald Innovations Ltd. from November 1, 2006 to present; President and Director of Camerico Giftwares Inc. from November 1, 2011 to October 31, 2017. | 117,513 Class B Shares(4)(5) 2.11% of the Class B Shares<br><br>500 Common Shares(6) 0.0009% of the Common Shares |
| Paul Ciullo *Niskayuna, New York, USA* | Chief Financial Officer | CFO of the Company from March 1, 2019 to August 23, 2022; CFO of MYND Life Sciences from December 2020 to February 2022; CFO of CannAmerica Brands Corp from February 2019 to July 2021; CFO of Hashchain Technology Inc. from February 2018 to February 2020; CFO of sCube, Inc. from May 2019 to present. | 9,162 Class B Shares 0.16% of the Class B Shares<br><br>500 Common Shares 0.0009% of the Common Shares |

| Name and Municipality of Residence | Position or Office | Principal Occupation During Past 5 Years | Number and Percentage of Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly(1)(2) |
|---|---|---|---|
| Aaron Bowden(3)<br>*Calgary, Alberta, Canada* | Director | Finance leader at West Jet Airlines Ltd. since July 2011; Tax Manager at Deloitte & Touche LLP from September 2004 to June 2011; Director of Invictus MD Strategies Corp. from July 2016 to June 2019; Director of Hashchain Technology Inc. from February 2018 to January 2019. | 6,950 Class B Shares<br>0.17% of the Class B Shares<br><br>1,000 Common Shares<br>0.01% of the Common Shares |
| Patrick Gray(3)<br>*New York, New York, United States* | Director | Director of the Company from November 2018 to present; President & Founder of SCube Inc. from July 15th, 2013 to present; CEO of High Standard Health Care Ltd. from March 1, 2020 to present; CEO & Founder of HashChain Technology from July 2017 to February 14, 2020; Chairman of Mega Blockchain from November 2017 to present; Director of CannAmerica Brands Inc. from January 21, 2019 to February 28, 2020. | 10,000 Class B Shares<br>0.18%<br><br>500 Common Shares<br>0.0009% of the Common Shares |
| | | **TOTAL:** | 143,625 Class B Shares<br>2.58% of the Class B Shares |
| | | | 2,500 Common Shares<br>0.004% of the Common Shares |

Notes:

(1) Based on 5,549,373 Class B Shares issued and outstanding.
(2) Based on 51,176,001 Common Shares issued and outstanding.
(3) Proposed member of the Company's Audit Committee. Aaron Bowden is the proposed Audit Committee Chair.
(4) 17,573 Class B Shares are currently being held in escrow.
(5) 19,845 Class B Shares are held through Emerald Innovations Ltd.
(6) In addition to the securities held by Ryan Selby, Kelly Selby, Mr. Selby's spouse, controls 9,600,000 Common Shares (representing 18.75% of the issue and outstanding Common Shares on an undiluted basis and 16.92% of the Common Shares on a fully diluted basis) through the Selby Family Trust 2022.

Each of the directors of the Company will hold office until the next annual meeting of the shareholders or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the Company's Articles or Notice of Articles.

The following biographies provide certain selected information in respect of the persons who will be serving as directors, officers and/or management of the Company:

***Ryan Selby, Director, Chief Executive Officer of the Company and Corporate Secretary (Age: 39)***

Mr. Selby was the Co-founder of the Company and devoted 100% of his time to the Company until his resignation in August of 2022 after selling his invention that was licensed by the Company to one of the largest tobacco companies in the world for US$100,500,000. Mr. Selby has owned and operated his own private company, Emerald Innovations, since November 2006. Further, he was the President and Director of Camerico Giftwares Inc. from November 2011 to October 2017. Mr. Selby received a Bachelor of Commerce, International Business from the University of Victoria in 2006. A multi-patented inventor, Mr. Selby brings expertise gained from over 16 years of industry experience designing, developing, patenting, commercializing, and distributing innovative products and accessories for the smoking industry. Mr. Selby will be a full-time employee of the Company and will enter into an employment contract with the Company upon the completion of the Business Combination. Following the Business Combination, it is anticipated that Mr. Selby will devote approximately 85% of his time to the business of the Company.

***Paul Ciullo, Chief Financial Officer (Age: 42)***

Mr. Ciullo was an independent contractor for the Company devoting approximately 35% of his time to the ongoing operations of the Company from March 1, 2022 to August 23, 2022. Mr. Ciullo has a diverse professional background and specialized in financial reporting and project management during his time spent working in senior corporate finance and accounting positions for various Fortune 500 companies. His most recent roles include serving as the CFO for a number of publicly traded start-up companies, including a cryptocurrency mining business, a brand licensing group, and an IT services organization. Mr. Ciullo is accustomed to delivering results in highly demanding environments and has consistently been able to drive measurable improvements and operating efficiencies in the businesses that he has been involved in. Mr. Ciullo obtained his CPA on December 29, 2005, graduated with a Bachelor's of Science in Accounting from State University of New York at Geneseo, Jones School of Business in May of 2002 and a Masters of Business Administration from Pennsylvania State University in December of 2010. Mr. Ciullo will enter into an employment contract with the Company upon the completion of the Business Combination. Following the Business Combination, it is anticipated that Mr. Ciullo will devote approximately 35% of his time to the business of the Company.

***Aaron Bowden, Director (Age: 44)***

Mr. Bowden specializes in taxation and currently manages all areas of domestic and international tax for a large Canadian company with over 10,000 employees and $4 billion in sales. Prior to this Mr. Bowden worked at Deloitte advising clients on assurance and tax matters with a focus on the technology industry. In addition to receiving his Chartered Accountant designation in 2007 from the Canadian Institute of Chartered Accountants in 2007, Mr. Bowden holds a Bachelor of Technology in Information Technology from Kwantlen Polytechnic University in Richmond B.C. and has previously served as a director for TSX Venture Exchange listed emerging industry companies. Following the Business Combination, it is anticipated that Mr. Bowden will devote approximately 15% of his time to the business of the Company.

***Patrick Gray, Director (Age: 41)***

Mr. Gray has acquired significant experience and exposure to accounting and financial management through his business career. He was the former CEO of Hashchain Technology Inc. which was subject to public reporting and disclosure requirements. Furthermore, Mr. Gray is the current President of SCube Inc., a private company, where he is closely involved in monitoring the daily financial affairs of the company. Throughout his career he has served as a director of several public and private companies. Mr. Gray completed a bachelor's degree in Computer Science with a minor in Business from Siena College in 2004. Following the Business Combination, it is anticipated that Mr. Gray will devote approximately 15% of his time to the business of the Company.

***Board Committees***

The members of the Audit Committee are Ryan Selby, Aaron Bowden and Patrick Gray, of which Mr. Bowden is considered independent pursuant to NI 52-110. Due to Mr. Selby's position as the Company's CEO and Corporate Secretary, Mr. Selby is not considered an independent member of the Audit Committee. All members of the Audit Committee are considered to be financially literate. Mr. Bowden acts as the chairperson of the Audit Committee.

A member of the audit committee is independent if the member has no direct or indirect material relationship with the Company. A material relationship means a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

A member of the audit committee is considered financially literate if they have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company.

***Corporate Cease Trade Orders or Bankruptcies***

Except as described below, no director, officer or Promoter of the Company or shareholder anticipated to hold a sufficient number of securities of the Company to affect materially the control of the Company is or has, within the past 10 years, been a director, officer or Promoter of any Person or issuer that, while such Person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied that Person or issuer access to any exemptions under applicable securities legislation for a period of more than 36 consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of that Person.

Penalties or Sanctions

No director, officer or Promoter of the Company or shareholder anticipated to hold a sufficient number of securities of the Company to affect materially the control of the Company or a personal holding corporation of such Persons is or has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions proposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable securityholder making a decision about the Company.

Personal Bankruptcies

No director, officer or Promoter of the Company or shareholder anticipated to hold a sufficient number of securities of the Company to affect materially the control of the Company, or a personal holding corporation of such Persons is or has, within the past 10 years, become bankrupt, made a proposal under bankruptcy or insolvency legislation or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets.

Conflicts of Interest

Some of the individuals serving as directors or officers of the Company are also directors, officers and/or Promoters of other reporting and non-reporting issuers. As of the date of this Listing Statement and to the knowledge of the directors and officers of the Company, there are no existing conflicts of interest in the Company.

Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and Promoters of the Company that are, or have within the preceding five year period been directors of other reporting issuers:

| Name | Name and Jurisdiction of Reporting Issuer | Name of Trading Market | Term (From/To) |
| --- | --- | --- | --- |
| **Ryan Selby** | Generative AI Solutions Corp. (formerly, Idle Lifestyle Inc.) | CSE; OTCQB | September 2018 to August 2022 |
| | Invictus MD Strategies Corp. | TSXV | August 2015 to November 2018 |
| **Paul Ciullo** | Cannamerica Brands Corp.(1) | CSE; OTC | February 2019 to July 2021 |
| | Digihost Technology Inc. (Formerly Haschain Technology Inc.)(1) | TSXV; NASDAQ | February 2018 to February 2020; May 2021 to Present |
| | MYND Life Sciences Inc.(1) | CSE; OTCBB | December 2020 to February 28, 2022 |
| | Revitalist Lifestyle and Wellness Ltd.(1) | CSE; OTCQB | December 2020 to February 28, 2022 |
| **Aaron Bowden** | Generative AI Solutions Corp. (formerly, Idle Lifestyle Inc.) | CSE; OTCQB | December 2020 to Present |
| | Invictus MD Strategies Corp. | TSXV | July 2016 to June 2019 |
| | Digihost Technology Inc. (Formerly Haschain Technology Inc.) | TSXV; NASDAQ | February 2018 to January 2019 |
| | MYND Life Sciences Inc. | CSE; OTCBB | November 2020 to October 2021 |
| | Revitalist Lifestyle and Wellness Ltd. | CSE; OTCQB | February 2021 to August 2022 |
| **Patrick Gray** | Generative AI Solutions Corp. (formerly, Idle Lifestyle Inc.) | CSE; OTCQB | November 2018 to Present |
| | Cannamerica Brands Corp. | CSE; OTC | January 2019 to February 2020 |
| | Digihost Technology Inc. (Formerly Haschain Technology Inc.) | TSXV; NASDAQ | July 2017 to February 2020 |
| | Revitalist Lifestyle and Wellness Inc. | CSE; OTCQB | February 2021 to August 2022 |

Notes:

(1) Mr. Ciullo served as CFO of these companies.

## 14) CAPITALIZATION

To the best of the knowledge and estimation of the Company, the following table sets out the number of the shares of the Company available in the Company's public float and freely-tradeable float on a diluted basis and a non-diluted basis.

## Issued Capital

| | Number of Securities (non-diluted) | Number of Securities (fully-diluted) | %of Issued (non-diluted) | % of Issued (fully diluted) |
|---|---|---|---|---|
| Public Float | | | | |
| Total outstanding (A) | 51,176,001 | 61,911,285 | 100.000% | 100.000% |
| Held by Related Persons or employees of the Issuer or Related Persons of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B) | 9,602,000 | 15,866,560 | 18.763% | 25.628% |
| **Total Public Float (A-B)** | **41,574,001** | **46,044,725** | **81.237%** | **74.372%** |
| Freely-Tradeable Float | | | | |
| Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C) | 39,791,603 | 39,791,603 | 77.754% | 64.271% |
| **Total Tradeable Float (A-C)** | **11,384,398** | **22,119,682** | **22.245%** | **35.728%** |

## Public Securityholders (Registered)

| Size of Holding | Number of holders | Total number of Common Shares |
|---|---|---|
| 1 – 99 securities | 1 | 1 |
| 100 – 499 securities | Nil | Nil |
| 500 – 999 securities | 156 | 80,822 |
| 1,000 – 1,999 securities | 1 | 1,000 |
| 2,000 – 2,999 securities | Nil | Nil |
| 3,000 – 3,999 securities | Nil | Nil |
| 4,000 – 4,999 securities | Nil | Nil |
| 5,000 or more securities | 37 | 41,576,000 |
| **Total** | **195** | **41,657,823** |

## Public Securityholders (Beneficial)

| Size of Holding | Number of holders | Total number of Common Shares |
|---|---|---|
| 1 – 99 securities | 1 | 1 |
| 100 – 499 securities | Nil | Nil |
| 500 – 999 securities | 156 | 80,822 |
| 1,000 – 1,999 securities | 1 | 1,000 |
| 2,000 – 2,999 securities | Nil | Nil |
| 3,000 – 3,999 securities | Nil | Nil |
| 4,000 – 4,999 securities | Nil | Nil |
| 5,000 or more securities | 37 | 41,576,000 |
| **Total** | **195** | **41,657,823** |

## Non-Public Securityholders (Registered)

| Size of Holding | Number of holders | Total number of Common Shares |
|---|---|---|
| 1 – 99 securities | Nil | Nil |
| 100 – 499 securities | Nil | Nil |
| 500 – 999 securities | 5 | 2,000 |
| 1,000 – 1,999 securities | Nil | Nil |
| 2,000 – 2,999 securities | Nil | Nil |
| 3,000 – 3,999 securities | Nil | Nil |
| 4,000 – 4,999 securities | Nil | Nil |
| 5,000 or more securities | 1 | 9,600,000 |
| **Total** | **6** | **9,602,000** |

The following table states the securities convertible or exchangeable into the Company's Shares.

| Description of Security | Number of Convertible Securities Outstanding | Number and Percentage of Common Shares Issuable upon Exercise(1) |
|---|---|---|
| Class B Shares convertible into Common Shares upon the terms included in their Notice of Articles(1) | 5,549,373 | 5,549,373 |
| Warrants convertible into Common Shares upon an exercise of the Warrants to issue Class B Shares(2) | 413,011 | 413,011 |
| Options(3) | 4,772,900 | 4,772,900 |
| **TOTAL** | **10,735,284** | **10,735,284** |

Notes:

(1) For a detailed breakdown of the conversion terms, see "Description of Securities – Prior Sales".

(2) For a detailed breakdown of the exercise prices, see "Description of Securities – Prior Sales – The Company".

(3) For a detailed breakdown of the Options, see "Options to Purchase Securities".

## 15) EXECUTIVE COMPENSATION

**The Company**

The following table sets out all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the Company to its NEOs and directors, in any capacity, for the two most recently completed financial years ending February 28, 2023 and 2022.

**Table of Compensation Excluding Compensation Securities**

| Name and Position | Year | Salary, consulting fee, retainer or commission ($) | Bonus ($) | Committee or meeting fees ($) | Value of perquisites ($) | Value of all Other compensation ($) | Total compensation ($) |
|---|---|---|---|---|---|---|---|
| *Ryan Selby Director, Chief Executive Officer and Corporate Secretary*(1)(2) | 2023<br>2022 | 123,000<br>203,000 | 2,352,000<br>432,021 | -<br>- | -<br>- | -<br>9,650 | 2,475,000<br>644,671 |
| *Patrick Gray Director and Chief Executive Officer*(3) | 2023<br>2022 | -<br>- | 70,000<br>- | -<br>- | -<br>- | -<br>3,000 | 70,000<br>3,000 |
| *Paul Ciullo Chief Financial Officer*(4) | 2023<br>2022 | 78,261<br>76,218 | 94,745<br>- | -<br>- | -<br>- | -<br>- | 173,006<br>76,218 |
| *Aaron Bowden Director*(5) | 2023<br>2022 | -<br>- | 70,000<br>- | -<br>- | -<br>- | -<br>- | 70,000<br>- |
| *Jordan Crockett Former Director*(6) | 2023<br>2022 | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- |
| *Ryan Karkairan Former Director*(2)(7) | 2023<br>2022 | 81,000<br>143,000 | 384,000<br>150,000 | -<br>- | -<br>- | -<br>7,000 | 465,000<br>300,000 |

Notes:

(1) Mr. Selby was first appointed as a director and the Chief Executive Officer of the Company on March 1, 2022. Mr. Selby resigned from these positions on August 23, 2022 and was re-appointed to both positions upon the closing of the Business Combination.
(2) No fees paid to Mr. Selby or Mr. Karkairan are attributable to their roles as directors.
(3) Mr. Gray was appointed as a director of the Company on March 1, 2022. Mr. Gray was then appointed to be the Chief Executive Officer of the Company on August 23, 2022. Mr. Gray resigned as Chief Executive Officer of the Company upon the closing of the Business Combination.
(4) Mr. Ciullo was appointed as the Chief Financial Officer of the Company on March 1, 2022 and resigned on August 23, 2022. Mr. Ciullo was re-appointed as the Chief Financial Officer of the Company upon the closing of the Business Combination.
(5) Mr. Bowden was appointed as a director of the Company on March 1, 2022.
(6) Mr. Crockett resigned as a director of the Company upon the closing of the Business Combination.
(7) Mr. Karkairan resigned as a director of the Company on August 23, 2022.

Stock Options and other Compensation Securities of the Company

The following table sets out all compensation securities granted or issued by the Company to its NEOs and directors, in any capacity, for the most recently completed financial year ending February 28, 2023.

| Table of Compensation Excluding Compensation Securities | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name and Position** | **Type of compensation security** | **Type of compensation securities, number of underlying securities and percentage of class** | **Date of issue or grant** | **Issue, conversion or exercise price ($)** | **Closing price of security or underlying security on date of grant ($)** | **Closing price of security or underlying security at year end ($)** | **Expiry date** |
| *Ryan Selby Director, Chief Executive Officer and Corporate Secretary* | - | - | - | - | - | - | - |
| *Patrick Gray Director and Former Chief Executive Officer* | Options | 1,500,000 Options 31%(1) | Note 2 | $0.15 | - | - | 5 years from the issue date |
| *Paul Ciullo Chief Financial Officer* | Options | 750,000 Options 16%(1) | Note 2 | $0.15 | - | - | 5 years from the issue date |
| *Aaron Bowden Director* | Options | 1,500,000 Options 31%(1) | Note 2 | $0.15 | - | - | 5 years from the issue date |
| *Jordan Crockett Former Director* | - | - | - | - | - | - | - |
| *Ryan Karkairan Former Director* | - | - | - | - | - | - | - |

Notes:

(1) Percentage of the class of compensation securities, calculated based on an aggregate of 4,772,900 options outstanding as of the completion of the Business Combination.

(2) Options to purchase Common Shares, which will be granted at the closing of the Business Combination.

Exercise/ Conversion of Compensation Securities

The following Options have been exercised by a NEO or director of the Company during the most recently completed fiscal year ended February 28, 2023:

| | Exercise of Compensation Securities by Directors and NEOs | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name and Position** | **Type of compensation security** | **Number of underlying securities exercised(1)** | **Exercise price per security ($)(1)** | **Date of exercise** | **Posing price per security on the date of exercise ($)(1)** | **Difference between the exercise price and closing price on the date of exercise ($)(1)** | **Total value on exercise date ($)** |
| *Patrick Gray Director and Chief Executive Officer* | Option | 2,218 Class B Shares | 4.80 | May 24, 2022 | 7.119 | 2.319 | 5,143.54 |
| | Option | 7,781 Class B Shares | 4.80 | May 24, 2022 | 7.119 | 2.319 | 18,044.13 |
| *Ryan Karkairan Former Director* | Option | 8,503 Class B Shares | 4.80 | May 24, 2022 | 7.119 | 2.319 | 19,718.45 |
| | Option | 27,108 Class B Shares | 4.80 | May 24, 2022 | 7.119 | 2.319 | 62,863.45 |
| *Ryan Selby Director, and Chief Executive Officer* | Options | 17,006 Class B Shares | 4.80 | May 24, 2022 | 7.119 | 2.319 | 39,436.91 |
| | Options | 54,216 Class B Shares | 4.80 | May 24, 2022 | 7.119 | 2.319 | 125,726.90 |
| *Paul Ciullo Chief Financial Officer* | Option | 4,000 Class B Shares | 4.80 | May 24, 2022 | 7.119 | 2.319 | 9,276.00 |
| | Option | 1,666 Class B Shares | 4.80 | May 24, 2022 | 7.119 | 2.319 | 3,863.45 |
| | Option | 3,333 Class B Shares | 3.00 | May 24, 2022 | 7.119 | 4.119 | 13,728.62 |
| *Aaron Bowden Director* | Option | 6,666 Class B Shares | 3.00 | May 24, 2022 | 7.119 | 4.119 | 27,457.25 |

Notes:

(1) Expressed on a post-Consolidation basis.

**Ultron**

The following table sets out all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by Ultron to its NEOs, in any capacity, for the two most recently completed financial years ending January 31, 2023 and 2022.

**Table of Compensation Excluding Compensation Securities**

| Name and Position | Year | Salary, consulting fee, retainer or commission ($) | Bonus ($) | Committee or meeting fees ($) | Value of perquisites ($) | Value of all other compensation ($) | Total compensation ($) |
|---|---|---|---|---|---|---|---|
| Ryan Selby (1)<br>*Director* | 2023<br>2022 | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- |
| Michael Kriznic(2)<br>*Former Director* | 2023<br>2022 | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- |
| Jordan Crockett (3)<br>*Former Director* | 2023<br>2022 | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- |
| Matthew Connelly (4)<br>*Former Chief Executive Officer and Director* | 2023<br>2022 | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- |
| Patrick Gray (5)<br>*Former Chief Executive Officer and Director* | 2023<br>2022 | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- |
| Paul Ciullo (6)<br>*Former Director* | 2023<br>2022 | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- |

Notes:
(1) Mr. Selby was appointed as a director of Ultron on February 1, 2023.
(2) Mr. Kriznic was appointed as a director of Ultron on November 22, 2022 and resigned on February 1, 2023.
(3) Mr. Crockett was appointed as a director of Ultron on March 31, 2022 and resigned on November 22, 2022.
(4) Mr. Connelly was appointed as Chief Executive Officer and as a director of Ultron as of February 25, 2022 and resigned from both positions on February 25, 2022.
(5) Mr. Gray was appointed as a director of Ultron on February 25, 2022 and resigned on March 31, 2022.
(6) Mr. Ciullo was appointed as Chief Financial Officer of Ultron on February 25, 2022 and resigned on March 31, 2022.

Stock Options and other Compensation Securities of Ultron

No options to purchase Ultron Shares or other compensation securities were granted or issued by Ultron to any NEO or director of Ultron or any of its subsidiaries during the most recently completed fiscal year ended January 31, 2023.

During the most recently completed fiscal year ended January 31, 2023, none of the NEOs or directors exercised any compensation securities of Ultron.

**RRD**

The following table sets out all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by RRD to its NEOs, in any capacity, for the two most recently completed financial years ending January 31, 2023 and 2022.

**Table of Compensation Excluding Compensation Securities**

| Name and Position | Year | Salary, consulting fee, retainer or commission ($) | Bonus ($) | Committee or meeting fees ($) | Value of perquisites ($) | Value of all other compensation ($) | Total compensation ($) |
|---|---|---|---|---|---|---|---|
| Ryan Selby (1)<br>*Director* | 2023<br>2022 | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- |
| Jeffrey William Drummond (2)<br>*Director* | 2023<br>2022 | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- | -<br>- |

Notes:
(1) Mr. Selby was appointed as a director of RRD on October 12, 2022.
(2) Mr. Drummond was appointed as a director of RRD on January 17, 2022 and resigned as a director on October 12, 2022.

Stock Options and other Compensation Securities of RRD

No options to purchase RRD Shares or other compensation securities were granted or issued by RRD to any NEO or director of RRD or any of its subsidiaries during the most recently completed fiscal year ended January 31, 2023.

During the most recently completed fiscal year ended January 31, 2023, none of the NEOs or directors exercised any compensation securities of RRD.

**The Company following the Fundamental Change**

The Company's compensation program will be based on a "pay-for-performance" philosophy which supports its objective of developing its business. The Company's compensation policies will be founded on the principle that compensation should be aligned with the interests of the Shareholders, while also recognizing that the Company's corporate performance is dependent upon the recruitment and retention of highly trained, experienced and dedicated directors, executive officers and employees who have the necessary skill sets, education, experience and personal qualities required in the Company's business.

The components of the Company's executive compensation program is being finalized, however it is anticipated that the executive compensation program will be comprised of the following principal components: (i) base salary, (ii) short term incentive compensation comprised of cash bonuses or share options and (iii) long term incentive compensation comprised of share options. Together, these components support the Company's long-term development strategy and will be designed to address the following key objectives of its compensation program:

- align executive compensation with the interests of the Shareholders;
- attract and retain highly qualified management; and
- focus performance by linking incentive compensation to the achievement of business objectives and financial and operational results.

The aggregate value of these principal components and related benefits is used as a basis for assessing the overall competitiveness of the Company's executive compensation package.

The following is the anticipated compensation, as known, for each of the NEOs of the Company for the 12 month period following the completion of the Business Combination.

| Name and principal position | Annual Salary ($) | Share-based awards ($) | Option-based awards ($) | Annual Incentive Plans ($) | Long-term incentive plans ($) | Pension value ($) | All other compensation ($) | Total Compen-sation ($) |
|---|---|---|---|---|---|---|---|---|
| Ryan Selby *Director, and Chief Executive Officer* | 96,000 | - | - | - | - | - | - | 96,000 |
| Paul Ciullo *Chief Financial Officer* | US$ 36,000 | - | - | - | - | - | - | US$ 36,000 |

**Incentive Plan Awards**

Option-based Awards

The Company will likely grant future option-based awards, being Options granted under the Plan, including, for greater certainty, by granting Options to its directors, officers, employees and consultants. The timing, amounts, exercise price of these future option-based awards are not yet determined. For further information regarding the Plan, see "*Options to Purchase Securities"*.

Share-based Awards

The Company will likely grant future share-based awards, being RSUs granted under the Plan, including, for greater certainty, by granting RSUs to its directors, officers, employees and consultants. The timing, amounts, exercise price of these future share-based awards are not yet determined. As of the date hereof, the Company has not awarded any RSUs. For further information regarding the Plan, see "*Options to Purchase Securities".*

During the 12 month period immediately following the Listing, it is not expected that the Company will provide for any pension plans to NEOs that provide for payments or benefits in connection with retirement or provide NEOs with any deferred compensation plans.

**Compensation of Directors**

The directors of the Company may be paid fees for their services. However, it is expected that the Company will grant option-based awards and share-based awards to the majority of the directors in recognition of the time and effort that such directors devote to the Company. The timing, amounts, exercise price of these future option-based awards, share-based awards and any paid fees for service are not yet determined.

**Employment, Consulting and Management Agreements**

Other than as set out herein, the Company has no agreements or arrangements under which compensation was provided during the most recently completed financial year or is payable in respect of services provided to the Company or any of its subsidiaries that were performed by a director or NEO, or performed by any other party but are services typically provided by a director or NEO.

Ryan Selby

Mr. Selby serves as the Company's CEO pursuant to the terms and conditions of an executive employment agreement made effective upon closing the Business Combination. Mr. Selby serves as CEO on a full-time basis for an indefinite period of time unless terminated in accordance with the terms of his employment agreement. Under the agreement, Mr. Selby will receive (i) a base salary of $96,000 plus GST, (ii) annual cash bonus(es) to be determined by the Board; and (iii) RSUs and Options pursuant to the Plan.

In the event that Mr. Selby is terminated without cause by the Company, or is found by a court of competent jurisdiction to have been constructively dismissed by the Company, then Mr. Selby will receive the greater of: (i) the minimum payments and entitlement prescribed under applicable statutory employment standards in the Province of Ontario; and (ii) twenty four months of his base salary plus any accrued obligations. In the event of a change of control, Mr. Selby will receive a termination fee equal to twenty-four months of this base salary plus an amount that is the equivalent of all cash bonuses paid by the Company to Mr. Selby in the twenty-four months prior to the change of control.

Mr. Selby's employment agreement includes a customary non-disclosure provision.

In the event of Mr. Selby's termination, outstanding Options and RSUs would be settled with the terms of the applicable Options and RSU grant agreements and the Plan.

Paul Ciullo

Mr. Ciullo serves as the Company's CFO pursuant to the terms and conditions of an executive employment agreement made effective upon closing the Business Combination. Mr. Ciullo serves as CFO on a part-time basis for an indefinite period of time unless terminated in accordance with the terms of his employment agreement. Under the agreement, Mr. Ciullo will receive (i) a base salary of US$36,000, (ii) annual cash bonus(es) to be determined by the Board; and (iii) RSUs and Options pursuant to the Plan.

In the event that Mr. Ciullo is terminated without cause by the Company, or is found by a court of competent jurisdiction to have been constructively dismissed by the Company, then Mr. Ciullo will receive the greater of: (i) the minimum payments and entitlement prescribed under applicable statutory employment standards in the Province of Ontario; and (ii) six months of his base salary plus any accrued obligations. In the event of a change of control, Mr. Ciullo will receive a termination fee equal to twelve months of this base salary plus an amount that is the equivalent of all cash bonuses paid by the Company to Mr. Ciullo in the twelve months prior to the change of control.

Mr. Ciullo's employment agreement includes a customary non-disclosure provision.

In the event of Mr. Ciullo's termination, outstanding Options and RSUs would be settled with the terms of the applicable Options and RSU grant agreements and the Plan.

## 16) INDENTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No individual who: (a) is a director or officer of the Company; (b) at any time during the most recently completed financial year of the Company, Ultron or RRD, was a director or officer of the Company, Ultron or RRD or (c) is an Associate of any of the foregoing, is either: (i) indebted to the Company or any of its subsidiaries; or (ii) indebted to another entity with such indebtedness being the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

## 17) RISK FACTORS

*There are a number of risk factors associated with the Company and its business. Investment in the Company must be considered highly speculative due to the nature of the Company's business. An investment in any securities of the Company should only be considered by those persons who can afford a significant or total loss of their investment. Investors should carefully consider the risks described below and the other information contained in this Listing Statement before making an investment in the Company. In addition to other information contained in this Listing Statement, the following risk factors must be considered. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business and operations of the Company and cause the trading price of the Shares to decline. If any of the following or other risks occur, the Company's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of the Shares could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks.*

***The Company has negative operating cash flow and may be unable to achieve or sustain profitability in the future***

The Company has not generated profits following the Altria Sale and there is no assurance that it will earn profits in the future, or that profitability, if achieved, will be sustained. The Company expects to continue to incur significant expenses including sales and marketing expenses, product development, research and development costs and other expenses. In addition, the Company expects that its general and administrative expenses will increase following this Listing Statement due to the additional costs associated with being a public company. These efforts and additional expenses may be more costly than the Company expects, and the Company cannot guarantee that it will be able to increase its revenue to offset such expenses. The Company's revenue may decline or its revenue growth may be constrained for a number of reasons, including reduced demand for the Company's products and services, increased competition or failure to capitalize on growth opportunities. The Company will need to generate significant additional revenue to achieve and sustain profitability and, even if it achieves profitability, the Company cannot be sure that it will remain profitable for any substantial period of time. The Company's failure to achieve or sustain profitability could negatively impact its ability to obtain financing, pursue its business objectives and have a material adverse effect on the value of the Shares.

***The Company has a limited operating history which makes it difficult to evaluate its future prospects for success***

Ultron had a limited history of operations prior to the Business Combination and consequently, the Company's current operations inherited from Ultron are subject to all of the business risks and uncertainties associated with any early-stage enterprise, including possible under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of significant revenue. The limited operating history may also make it difficult for investors to evaluate the Company's prospects for success. There can be no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the risks, expenses and difficulties frequently encountered in early stages of operations.

***Public health crises, such as COVID-19, may have a material adverse impact on the Company's operations***

The Company's business, operations, financial condition and operating results could be materially adversely affected by the outbreak of epidemics, pandemics or other health crises, such as the outbreak of COVID-19 or a resurgence thereof. Such public health crises can result in reduction in demand for the Company's products and services, unwillingness to subscribe or renew subscriptions, global stock market and financial market volatility, declining trade and market sentiment, labour shortages and travel and shipping disruptions and shutdowns, including as a result of government regulation and prevention measures, or a fear of any of the foregoing.

***The Company may be affected by catastrophic events***

Events beyond the control of the Company may damage its ability to accept customer orders, maintain its platform or perform its servicing obligations. Such events include, but are not limited to pandemics, fires, earthquakes, terrorist attacks and natural disasters. In addition, these catastrophic events may negatively affect customers' demand for the Company's product.

***Implementation of Bill C-27 or the Digital Charter Implementation Act, 2022***

On June 16, 2022 the federal government introduced Bill C-27, also known as the Digital Charter Implementation Act, 2022. Bill C-27 proposes to establish Canada-wide requirements for the design, development, use, and provision of AI systems and prohibit certain conduct in relation to these systems that may result in serious harm to individuals. The enactment of Bill C-27 could potentially result in a significant regulatory burden on the Company's business, leading to additional operational costs or the Company's business becoming cost or regulatory prohibitive. Furthermore, Bill C-27 could potentially impose additional privacy obligations on behalf of the Company through the utilization of its technology, the extent of which are not currently known. Similarly, these could result in a significant regulatory burden on the Company's business, leading to additional operational costs or the Company's business becoming cost or regulatory prohibitive.

***The Company faces technologic risks which may impact its innovation abilities***

The Company's success may depend upon its ability to design, develop, test, market, license and support new products and enhancements of its current product on a timely basis in response to both competitive threats and marketplace demands. In addition, software products and enhancements must remain compatible with the other software products and systems used by its customers. If new industry standards emerge that the Company does not anticipate or adapt to, its products could be rendered obsolete and, as a result, its business and operating results, as well as its ability to compete in the marketplace, would be materially harmed.

There can be no assurance that the Company will be successful in the introduction, marketing and production of any new products or product innovations or develop and introduce in a timely manner updates to its existing product which satisfy customer needs or achieve market acceptance. The Company's failure to develop new products and introduce them successfully and in a timely manner could harm its ability to grow its business and could have a material adverse effect on its business, results of operations and financial condition.

***The Company's ability to acquire and maintain intellectual property may affect its revenue and profitability***

The Company's success will depend, in part, on its ability to obtain patents, or licenses to patents, maintain trade secret protection and enforce its rights against others. The Company may be unable to obtain adequate patent protection or any patent protection for its products or such patent protection may not be obtained quickly enough to meet its business needs. In addition, the coverage claimed in a patent application can be significantly reduced before a patent is issued. There can be no assurance that: patent applications will result in the issuance of patents; additional proprietary products developed will be patentable; patents issued will provide adequate protection or any competitive advantage; patents will not be successfully challenged by any third parties; or the patents of others will not impede the Company's ability to commercialize its technology.

Frequent claims and related litigation concerning infringement of proprietary rights are common in many technology fields. The Company expects that its products and methods could be increasingly subject to third-party infringement claims as the number of competitors grows and the functionality of products and technology in different industry segments overlap. Third parties may also legitimately and independently develop products, services, and technology similar to, or duplicative of, the Company's products and services. Despite the Company's best efforts, third parties may attempt to disclose, obtain, copy, or use the Company's intellectual property rights or other proprietary information or technology without authorization. Efforts to protect intellectual property and other proprietary rights may not prevent such unauthorized disclosure or use, misappropriation, infringement, reverse engineering or other infringement of these rights.

The Company may initiate claims or litigation against third parties for infringement, misappropriation or other violation of its intellectual property rights or other proprietary rights or to establish the validity of its intellectual property rights or other proprietary rights. Any such litigation, whether or not it is resolved in its favor, could be time-consuming, result in significant expense to and divert the efforts of technical and management personnel. Furthermore, attempts to enforce intellectual property rights against third parties could also provoke these third parties to assert their own intellectual property rights or other claims against the Company or result in a holding that invalidates or narrows the scope of the Company's rights, in whole or in part.

In addition to protection under intellectual property laws, the Company will rely on confidentiality or license agreements that it will generally enter into with corporate partners, employees, consultants, contractors, advisors, vendors and customers. The Company will generally limit access to and distribution of its proprietary information. However, the Company cannot be certain that it will have entered into such agreements with all parties who may have or had access to confidential information or that the agreements have entered into will not be breached or challenged or that such breaches will be detected. Furthermore, non-disclosure provisions can be difficult to enforce, and even if successfully enforced, may not be entirely effective. The Company cannot guarantee that any of the measures it will have taken will prevent infringement, misappropriation, or other violation of its technology or other intellectual property or proprietary rights. The Company also may be a target for a cyberattack, which poses a risk of unauthorized access to, and misappropriation of, its proprietary and competitively sensitive information.

***Intellectual property infringement assertions by third parties could result in significant costs and adversely affect the Company's business, financial condition, results of operations, and reputation***

The Company's success and ability to compete also depends in part on its ability to operate without infringing, misappropriating or otherwise violating the intellectual property or other proprietary rights of third parties. These third-party rights may preclude the Company from making, using or selling its commercial products and services. Current and potential competitors may own patents, copyrights, trademarks and trade secrets and may pursue litigation based on allegations of infringement, misappropriation or other violations of intellectual property rights. The Company may receive notices that claim the Company infringed, misappropriated, misused or otherwise violated other parties' intellectual property rights. These other parties may have the capability to dedicate substantial resources to enforce their intellectual property rights and to defend claims that may be brought against them. Although to-date, the Company has not received any notices that it has violated intellectual rights of any third party, to the extent the Company gains greater commercial visibility, the Company faces a higher risk of being the subject of intellectual property infringement, misappropriation or other violation claims. Any intellectual property litigation initiated against the Company may involve non-practicing patent assertion entities or companies who use their patents as a means to extract license fees by threatening costly litigation or that have minimal operations or relevant product revenue. The Company's licensed patent rights may provide little or no deterrence or protection against such non-practicing patent assertion entities. Moreover, there could be public announcements of the results of hearings, motions or other interim proceedings or developments in any dispute involving intellectual property rights. If securities analysts or investors perceive these announcements or results to be negative, it could have a substantial adverse effect on the price of the Shares.

There may be third-party intellectual property rights, including issued patents or pending patent applications that cover significant aspects of the Company technologies, products, services or business methods. There may also be third-party intellectual property rights, including trademark registrations, pending trademark applications and non-registered common law use, which covers the way the Company markets its goods and services. The Company may also be exposed to increased risk of being the subject of intellectual property infringement, misappropriation, or other violation claims as a result of acquisitions and/or its incorporation of third-party products and services (e.g., hardware and software) into its product and service offerings. The Company has a lower level of visibility into the development process with respect to such third-party products and services or the care taken by any third-party to safeguard their products and services against infringement, misappropriation, or other intellectual property violation risks.

In addition, former employers of the Company's current, former or future employees may assert claims that such employees have improperly disclosed confidential or proprietary information of these former employers. Any intellectual property claims, with or without merit, are difficult to predict, could be very time-consuming and expensive to settle or litigate, could divert the management's attention and other resources and may not be covered by insurance. These claims could subject the Company to significant liability for damages, potentially including treble damages if the Company is found to have willfully infringed a third-party's intellectual property rights. These claims could also result in having to stop using technology, or product branding found to be in violation of a third-party's rights. As a result of any such allegations of intellectual property infringement, the Company may need to redesign or rebrand its products and services. This may include developing alternative non-infringing technology or branding, which could require significant effort and expense. If the Company cannot license rights or develop alternative technology for any infringing aspect of its business, it would be forced to limit or stop sales of one or more of its products or services, it could lose existing customers, and it may be unable to compete effectively. Any of these results would harm the Company's business, financial condition, and results of operations.

***Online security breaches and service disruption***

The Company receives, transmits and stores data as part of its business. These activities are subject to laws and regulations in several jurisdictions in which the company's services will be available. These requirements, which often differ materially among the jurisdictions, are designed to protect the privacy of consumers' personal information and to prevent that information from being inappropriately disclosed. The Company develops and maintains technical and operational safeguards designed to comply with applicable legal requirements; however, it cannot guarantee absolute protection against unauthorized attempts by third parties or current or former employees to access its systems or databases. If third parties gain improper access to its systems or databases or those of the Company's service providers or partners, they may improperly obtain, disclose, delete or modify confidential data about the Company's customers. An information breach in the Company's systems and loss of confidential information such as credit card numbers and related information, or interruption in the operation of the Company's apps, could have a longer and more significant impact on its business operations than a hardware failure. A compromise in the Company's security system could severely harm the Company's business by the loss of the Company's customers' confidence in the Company and thus the loss of their business. The Company may be required to spend significant funds and other resources to protect against the threat of security breaches or to alleviate problems caused by these breaches. However, protection may not be available at a reasonable price, or at all. Any failure to adequately comply with necessary protective measures could result in fees, penalties and/or litigation. Concerns regarding the security of e-commerce and the privacy of users may also inhibit the growth of the Internet as a means of conducting commercial transactions. This may result in a reduction in revenues and increase the Company's operating expenses, which would prevent the Company from achieving profitability.

Any breach of security policies or applicable legal requirements resulting in a compromise of consumer data could expose the Company to regulatory enforcement action, limit its ability to provide services, subject the Company to litigation and/or damage its reputation. In addition, certain Canadian provinces have enacted laws requiring companies to notify individuals of data security breaches involving their personal data. These mandatory disclosures regarding a security breach are costly to implement and often lead to widespread negative publicity, which may cause the Company's customers to lose confidence in the effectiveness of its data security measures. Moreover, if a high profile security breach occurs with respect to a competitor, customers may lose trust in the security of the Company and its business generally, which could adversely impact the Company's ability to conduct business. Any security breach, whether actual or perceived, could harm the Company's business.

***The Company's dependence on software and device updates***

Changes to the Company's principal product's infrastructure or software updates could render the product and other platforms and services of the Company inoperable and could result in decreased user engagement and customers. This could have a material adverse effect on the Company's business, financial condition and results of operation.

***The Company may not be able to establish or strengthen its brand***

The Company's principal product to date is Classmate and the Company intends to develop artificial intelligence technology-based solutions across industries. Promoting and positioning the Company's brand will depend largely on the success of the Company's sales and marketing efforts. Additionally, the Company believes the quality and reliability of its product, and any negative publicity regarding the quality or reliability of the product could significantly damage its reputation in the market. These brand promotion activities may not yield increased sales and, even if they do, any sales increases may not offset the expenses incurred to promote the Company's brand. If the Company fails to successfully promote and maintain its brand, or if the Company was to incur substantial expenses in an unsuccessful attempt to promote and maintain its brand, it would adversely affect the Company's business, results of operations and financial condition.

***The Company's operations are dependent on student performance***

The success of the Company's business depends on its ability to deliver a satisfactory learning experience and interpret education data. The Company's product may fail to interpret some students' academic performance and provide the relevant recommendation. As a result, student and parent satisfaction with the Company could decline. If a significant number of students fail to improve their academic performance after using the Company's product or find the real-time insights and recommendations to be unsatisfactory, then students may decide to stop using the Company's product. Student dissatisfaction may adversely impact the Company's business, financial condition, results of operations and reputation.

***Failure to retain existing customers or add new customers***

The financial performance of the Company will be significantly determined by its success in adding, retaining, engaging and monetizing active customers of its product. If people do not perceive the Company's product as insightful, reliable, relevant and trustworthy it may be unable to attract or retain customers or otherwise maintain or increase the frequency and duration of their engagement. If the Company is unable to maintain or increase its customer base or engagement, or effectively monetize its customer base's use of its product, its revenue and financial results may be adversely affected. Any decrease in customer retention, growth or engagement could render the Company's products less attractive to customers.

***Risks Relating to Insurance***

The Company intends to insure its operations in accordance with technology industry practice. However, such insurance may not be available, uneconomical for the Company, or the nature or level may be insufficient to provide adequate insurance cover. Further, the Company may not insure against cyber-theft or hacking attacks. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the Company.

***Risks related to regulation***

The Company will be subject to a variety of laws and regulations across all jurisdictions in which it operates, including but not limited to, intellectual property, advertising, marketing, distribution, data and information security, electronic communications, competition, consumer protection, privacy laws, unfair commercial practices, taxation, securities law compliance, online payment and payment processing services. These laws, regulations and legislation, along with other applicable laws and regulations, which in some cases can be enforced by private parties or government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations could have a material adverse impact on the Company and lead to increases in costs and expenditure as well as restrict its existing operations and ability to expand.

These laws and regulations, as well as any changes to the same and any related inquiries, investigations or any other government actions, may be costly to comply with and may delay or impede new product development, result in negative publicity, increase the Company's operating costs, require significant management time and attention, and subject it to remedies that may harm its business including fines or demands or orders that modify, or cease certain or all existing business practices, or implement costly and burdensome compliance measures. Any such consequences could adversely affect the Company's business, results of operations or financial condition.

***Risks related to litigation***

The Company may, from time to time, become involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company cannot reasonably predict the likelihood or the outcome of these actions. Adverse outcomes in some, or all of these, claims may result in significant monetary damages or injunctive relief that could adversely affect the Company's ability to conduct its business. Even if the Company prevails in any such legal proceeding, the proceedings could be costly and time consuming and may divert the attention of management and key personnel from the Company's operations.

***Changes in technology***

The Company's ability to compete in the markets it serves may be threatened by change, including changes in technology, changes with respect to consumer needs, competition and industry standards. The Company will actively seek solutions that respond (in a timely manner) to geospatial data development and client needs, however its failure to respond well to these challenges could adversely impact the Company's business, financial position and results of operations. New product development or modification is costly, involves significant research, development, time, and expense, and may not necessarily result in the successful commercialization of any new products.

***The Company faces technology and development risks, including the ability to successfully engage in research and development at requisite levels, develop and introduce new products and services and continuously develop and enhance its existing products and services***

The Company's market involves rapidly evolving products and technological change. The Company cannot guarantee that it will be able to engage in research and development at the requisite levels. The Company cannot assure investors that it will successfully identify new technological opportunities and continue to have the needed financial resources to develop new products in a timely or cost-effective manner. At the same time, products, services, and technologies developed by others may render the Company's products and services obsolete or non-competitive.

The Company's product is the subject of continuous development and needs to be substantially developed further in order to gain and maintain competitive and technological advantage, and to improve the products' and services' usability, scalability and accuracy. There are no guarantees that the Company will be able to undertake such development successfully. Failure to successfully undertake such research and development, anticipate technical problems, or estimate research and development costs or timeframes accurately will adversely affect the Company's results and viability. The Company intends to expand and diversify its offerings and features, but there is no guarantee that such activities will be successful, failing which operating results and revenue growth rates could be adversely impacted. These activities can involve significant expenditure of time, capital, and resources, including development, design, management, and marketing, with no guarantees that such new products or features will ultimately generate revenue or be profitable in the future.

***Ability to form strategic alliances***

The Company's growth and marketing strategies are based, in part, on seeking out and forming strategic alliances and working relationships with third parties. There can be no assurance that existing strategic alliances and working relationships will not be terminated or modified in the future, nor can there be any assurance that new relationships, if any, will afford the Company the same flexibility under which it currently operates. If the Company is unsuccessful in establishing or maintaining its relationship with these third parties, the Company's ability to compete in the marketplace or to grow its revenue could be impaired, and operating results could suffer.

***Impact of system interruptions***

The Company's ability to provide reliable service largely depends on the efficient and uninterrupted operation of its intelligence platform. Any significant interruptions could harm its business and reputation and result in a loss of consumers. The Company's systems and operations could be exposed to damage or interruptions from fire, natural disaster, power loss, telecommunications failure, terrorism, vendor failure, unauthorized entry and computer viruses or other causes, many of which may be beyond its control. Although the Company will have taken steps to prevent a system failure, the measures taken may not be successful and the Company may experience problems other than system failures. The Company may also experience software defects, development delays, installation difficulties and other systems problems, which would harm its business and reputation and expose it to potential liability which may not be fully covered by business interruption insurance. The Company's data applications may not be sufficient to address technological advances, changing market conditions or other developments.

***The Company is subject to competition and may not be able to compete successfully with new or existing competitors***

The industries within which the Company operates are rapidly evolving and intensely competitive, and are subject to changing technology, shifting user needs, and frequent introductions of new offerings. The Company's potential competitors include large and established companies as well as other start-up companies. Such competitors may have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Certain technological advancements across many industries have in many ways reduced the barriers to entry for new competitors, including start-ups and early-stage companies, who may be able to bring competitive products to market more quickly and with less resources than in the past.

The Company's ability to compete will depend on the success of its plans to improve its existing product, to develop and commercialize new products, to effectively respond to consumer preferences and to manage the complexity of its intellectual property and technologies. Some of the Company's competitors have substantially greater financial resources, higher revenues and greater economies of scale. These advantages may allow competitors to implement their operational strategies more quickly or effectively than the Company can, or benefit from changes in technologies, which could harm its competitive position. These competitive advantages may be exacerbated in a difficult economy, thereby permitting competitors to gain market share. There can be no assurance that the Company will be able to successfully respond to changing consumer preferences, including with respect to new developing technologies and acquiring and developing intellectual property. If the Company is unable to maintain its competitive position, the Company could experience lower demand for products, downward pressure on prices, reduced margins, an inability to take advantage of new business opportunities, a loss of market share, reduced profitability and an inability to attract consumers or business partners in the future.

***Additional funding may be required***

Capital expenditures and related costs with growing the Company's business may necessitate external equity or debt financing and there is no assurance that it will be able to secure either kind of external financing at an economically viable cost under reasonable conditions, if at all. Additional equity financing could be dilutive to Shareholders and could substantially decrease the trading price of the Shares. The Company may issue securities in the future for a number of reasons. Additional debt financing, if secured, could involve restrictions being placed on financing and operating activities which could reduce the scope of the Company operations or anticipated expansion, or involve forfeiting its interest in some or all of its assets, incurring financial penalties, or reducing or terminating its operations.

***Shareholders may become diluted***

The Company is authorized to issue an unlimited number of Shares. If the Company raises additional financing through the issuance of Shares (including securities convertible or exchangeable into Shares) or completes an acquisition or merger by issuing additional Shares, such issuance may substantially dilute the interests of Shareholders and reduce the value of their investment. Shareholders will have no pre-emptive rights in connection with a future issuance. The Board has the discretion to determine the price and the terms of future issuances and the market price of the Shares could decline as a result of issuances of new Shares. Moreover, additional Shares may be issued by the Company upon the exercise of Options and RSUs and upon the exercise of outstanding warrants.

***Future acquisitions could disrupt the Company's business and harm the Company's financial condition and operating results***

The Company's success will depend, in part, on the Company's ability to expand the Company's markets and grow the Company's business in response to intellectual property protection, changing technologies, customer needs and competitive pressures. The Company may seek to grow the Company's business by acquiring complementary intellectual property, businesses, solutions or technologies. The identification of suitable acquisition candidates can be difficult, time-consuming and costly and the Company may not be able to successfully complete identified acquisitions. In addition, the Company may not be able to successfully assimilate and integrate the business, technologies, solutions, personnel or operations of any company the Company acquires. Acquisitions may also involve the entry into geographic or business markets in which the Company has little or no prior experience.

Moreover, the anticipated benefits of any acquisition, investment or business relationship may not be realized or the Company may be exposed to unknown liabilities. For one or more of those transactions, the Company may:

- issue additional equity securities that would dilute the holders of Shares;
- use cash that the Company may need in the future to operate its business;
- incur debt on terms unfavorable to the Company or that the Company is unable to repay;
- incur large charges or expenses or assume substantial liabilities;
- encounter difficulties retaining key employees of the acquired companies or integrating technologies; and
- become subject to adverse tax consequences, substantial depreciation or deferred compensation charges.

Any of these risks could harm the Company’s business and operating results.

***Conflicts of interest may occur***

Certain directors and officers may also from time to time become involved with potential competitors of the Company. As a result, situations may arise in connection with potential acquisitions in investments where the other interests of these directors and officers may conflict with the interests of the Company. Directors and officers of the Company with conflicts of interest will be subject to and are expected to follow the procedures set out in applicable corporate and securities legislation, regulation, rules and policies. Further, any failure of the directors or officers of the Company to address these conflicts in an appropriate manner or to allocate opportunities that they become aware of to the Company could have a material adverse effect on the Company’s business, financial condition, results of operations, cash flows or prospects.

***Volatile market price of the Shares***

The Company’s failure to meet expectations, downward revision in securities analysts’ estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions, industry related developments, results of product development or commercialization, departure of key personnel, changes in government regulations or other material public announcements by the Company or its competitors, along with a variety of additional factors may adversely affect the market price of the Shares.

Furthermore, the securities markets in Canada, as well as in other countries around the world, have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any quoted market price for the Shares will be subject to similar market trends and conditions generally. Consequently, the market price of the Shares may decline even if the Company’s operating results, underlying asset values or prospects have not changed.

Once the escrow restrictions applicable to certain of the Shares have expired, sales of a substantial number of Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Shares intend to sell, could reduce the market price of the Shares.

There can be no assurance that material adverse fluctuations in the trading price of the Shares will not occur. A prolonged decline in the price of the Shares could result in a reduction in the liquidity of the Shares or a reduction in the Company's ability to raise capital. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on the Company's business plan and operations, including its ability to develop new products and continue its current operations.

***Impact of the Economic Environment***

The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and consequently, impact the Company's sales and profitability. As well, general demand for banking services and alternative banking or financial services cannot be predicted and future prospects of such areas might be different from those predicted by the Company's management.

***Lack of active public market for the Shares***

An active public market for the Shares may not develop or be sustained. If an active public market for the Shares does not develop or continue, the liquidity of a Shareholder's investment may be limited and the price of the Shares may decline. Investors may find it difficult to resell any securities of the Company.

***Growth may place significant demands on the Company's internal systems and controls***

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The Company's ability to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its personnel. The inability of the Company to manage growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***The Company's inability to implement its business strategy***

There is no assurance that the Company's business plan will succeed in whole or in part. The success of the Company's development strategy will depend on a number of factors and there is no assurance that the Company will be able to achieve planned growth, that modifications to its strategy will not be required, or that the Company will be able to effectively market or manage expanded operations and enhance profitability. The Company's ability to manage growth effectively will require the development of management information systems capabilities and improvement of operational and financial systems. Any failure to expand these areas and implement and improve such systems, procedures, and controls in an efficient manner at a pace consistent with the Company's business could have a material adverse effect on the Company's business, financial condition and results of operations.

***The Company may not pay dividends***

The Company is unlikely to pay any dividends in the foreseeable future as it may employ available funds for the expansion of the business. Any future determination to pay dividends will be at the discretion of the Board and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board then deems relevant.

***The Company will rely on the experience of management and consultants***

The Company will be dependent on the skills and experience of its executives and consultants whose contributions to the immediate and future operations of the Company and the implementation of the Company's business plan are of great importance. The loss of services of any key management personnel or consultants may have an adverse effect on the Company's business and prospects. The Company may not be able to retain some or all of its key management personnel and consultants and, even if replaceable, it may be time consuming and costly to recruit qualified replacements.

***Information technology systems, cyber-attacks and security breaches***

The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, information technology ("**IT**") systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company is susceptible to operational, financial and information security risks resulting from cyber-attacks and/or malfunctioning technology. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays, increase in capital expenses, financial losses, the inability to process transactions, the unauthorized release of customer information and reputational risk. If there was a breach in security or if there was a failure of information systems or a component of information systems, it could, depending on the nature of any such breach or failure, adversely impact the Company's reputation, business continuity and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

## 18) PROMOTERS

Ryan Selby, who is the CEO, a director and the Corporate Secretary of the Company, is considered to be a promotor of the company in that he took the initiative in founding an organizing the business of the Company.

See "*Directors and Officers*" for the beneficial ownership that Ryan Selby exercises control over.

## 19) LEGAL PROCEEDINGS

There are no legal proceedings as to which the Company is, or has been, a party or of which any of its property is, or has been, the subject matter, and to the knowledge of the management of the Company, there are no such proceedings contemplated.

**Regulatory Actions**

There have not been any penalties or sanctions imposed against the Company by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

## 20) INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this Listing Statement, no director or executive officer of the Company or any person or company that is the direct or indirect beneficial owners of, or who exercises control or direction over, more than 10 percent of any class of the Company's outstanding voting securities, or an associate or affiliate of any persons or companies referred to in this paragraph, has any material interest, direct or indirect, in any transaction within the three years before the date of this Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Company or a subsidiary of the Company.

## 21) AUDITORS, TRANSFER AGENT AND REGISTRAR

**Auditors**

The current auditors of the Company are Manning Elliott LLP, located at 1030 W Georgia Street, suite 1700, Vancouver, British Columbia V6E 2Y3. No reportable event occurred in connection with the change of auditors.

**Transfer Agent and Registrar**

The transfer agent and registrar of the Company is Endeavor Trust Corporation located at 777 Hornby Street, suite 702, Vancouver, British Columbia V6Z 1S4.

## 22) MATERIAL CONTRACTS

During the course of the two years prior to the date of this Listing Statement, the Company has entered into the following material contracts, other than contracts entered into in the ordinary course of business:

1) the Business Combination Agreement dated February 16, 2023; and

2) the Escrow Agreement dated April 16, 2021.

Copies of all material contracts will be available on SEDAR at www.sedar.com upon completion of the Business Combination.

## 23) INTEREST OF EXPERTS

Manning Elliott LLP prepared the auditor's report for the consolidated financial statements of the Company for the financial years ended February 28, 2022, 2021 and 2020, and Hay & Watson Chartered Professional Accountants prepared the auditor's report for the consolidated financial statements of Ultron for the financial years ended January 31, 2023, 2022 and 2021.

As of the date of this Listing Statement, neither Manning Elliott LLP nor Hay & Watson Chartered Professional Accountants, not any employees or partners of either firm, hold any securities in the Company.

In addition, none of the aforementioned Persons or companies, nor any director, officer or employee of any of the aforementioned Persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any Associate or Affiliate of the Company. See "*Forward-Looking Information*".

## 24) OTHER MATERIAL FACTS

There are no other material facts about the Company and its securities that are not otherwise disclosed in this Listing Statement and are necessary in order for the Listing Statement to contain full, true and plain disclosure of all material facts relating to the Company and its respective securities.

## 25) FINANCIAL STATEMENTS

The following financial statements are attached as Appendix "A" to Appendix "D":

<u>Appendix "A"– Financial Statements of the Company:</u>

1) Audited consolidated financial statements of the Company for the financial years ended February 28, 2022 and 2021 and 2020;

2) Unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended November 30, 2022 and 2021; and

3) Unaudited pro forma consolidated financial statements of the Company for the year ended February 28, 2022 and the interim period ended November 30, 2022.

<u>Appendix "B" – MD&A of the Company:</u>

1) Annual MD&A of the Company as at February 28, 2022; and

2) Interim MD&A of the Company for the three and nine months ended November 30, 2022 and 2021.

<u>Appendix "C"– Financial Statements of Ultron:</u>

1) Audited consolidated financial statements of Ultron for the years ended January 31, 2023 and 2022 and 2021.

Appendix “D” – MD&A of Ultron:

1) Annual MD&A of Ultron for the year ended January 31, 2023.

**CERTIFICATE OF GENERATIVE AI SOLUTIONS CORP.**

Pursuant to a resolution duly passed by its board of directors, Generative AI Solutions Corp., hereby applies for the listing of the above mentioned securities on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to Generative AI Solutions Corp. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia, this 17th day of April, 2023.

*"Ryan Selby" (Signed)*
**Ryan Selby**
Chief Executive Officer and Promoter

*"Paul Ciullo" (Signed)*
**Paul Ciullo**
Chief Financial Officer

*"Aaron Bowden" (Signed)*
**Aaron Bowden**
Director

*"Patrick Gray" (Signed)*
**Patrick Gray**
Director

**CERTIFICATE OF ULTRON CAPITAL CORP.**

The foregoing contains full, true and plain disclosure of all material information relating to Ultron Capital Corp. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia, this 17th day of April, 2023.

*"Ryan Selby" (Signed)*

**Ryan Selby**
Director

**APPENDIX “A”**
**FINANCIAL STATEMENTS OF THE COMPANY**

(See attached)

# PODA HOLDINGS, INC.

## (FORMERLY PODA LIFESTYLE AND WELLNESS LTD.)

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE THIRTEEN MONTHS ENDED FEBRUARY 28, 2022 AND THE TWELVE MONTHS ENDED JANUARY 31, 2021

## (Expressed in Canadian Dollars)

17th floor, 1030 West Georgia St., Vancouver, BC, Canada V6E 2Y3
**Tel:** 604. 714. 3600 **Fax:** 604. 714. 3669 **Web:** manningelliott.com

## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Poda Holdings, Inc. (Formerly PODA Lifestyle & Wellness Ltd.).

### Opinion on the financial statements

We have audited the accompanying consolidated financial statements of Poda Holdings, Inc. (Formerly PODA Lifestyle & Wellness Ltd.) which comprise the statements of financial position as at February 28, 2022 and January 31, 2021, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the thirteen months ended February 28, 2022 and the twelve months ended January 31, 2021, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at as at February 28, 2022 and January 31, 2021, and its financial performance and its cash flows for the thirteen months ended February 28, 2022 and the twelve months ended January 31, 2021, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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.

### Other Information

Management is responsible for the other information, which comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and do not and will not express any form of assurance conclusion thereon. In connection with our audits 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 and remain alert for indicators that the other information appears to be materially misstated.

If, based on the work we have performed on this other information, 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 these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

**Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia

June 28, 2022

**PODA HOLDINGS, INC.**
**(FORMERLY PODA LIFESTYLE AND WELLNESS LTD.)**

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**(Expressed in Canadian Dollars)**

| | **February 28, 2022** | January 31, 2021 |
|---|---|---|
| | **$** | $ |
| **ASSETS** | | |
| **Current** | | |
| Cash | **13,235,203** | 11,758 |
| GST and taxes recoverable | **377,586** | 7,725 |
| Prepaid expenses and deposits | **73,861** | - |
| Advances receivable (Note 7) | **225,000** | - |
| | **13,911,650** | 19,483 |
| Intangible assets (Note 5) | **1** | 1 |
| | **13,911,651** | 19,484 |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable (Note 7) | **625,184** | 506,379 |
| RSU liability (Note 9) | **289,800** | - |
| Loans payable | **-** | 125,000 |
| Deferred revenue | **-** | 74,984 |
| Due to a former related party (Note 7) | **-** | 2,086,106 |
| | **914,984** | 2,792,469 |
| **Non-current** | | |
| Convertible notes (Note 11) | **604,507** | 573,877 |
| Loans payable (Note 12) | **-** | 60,000 |
| | **1,519,491** | 3,426,346 |
| **EQUITY (DEFICIENCY)** | | |
| Share capital (Note 9) | **24,564,398** | 630,160 |
| Contributed surplus | **4,167,053** | 1,207,010 |
| Equity portion of convertible note | **-** | 48,049 |
| Deficit | **(16,339,291)** | (5,292,081) |
| | **12,392,160** | (3,406,862) |
| | **13,911,651** | 19,484 |

NATURE OF OPERATIONS (Note 1)
SUBSEQUENT EVENTS (Note 15)

Approved and authorized for issuance on behalf of the Board on June 28, 2022:

*/s/ Ryan Selby,* Director *//s/ Aaron Bowden,* Director

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

**PODA HOLDINGS, INC.**
**(FORMERLY PODA LIFESTYLE AND WELLNESS LTD.)**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

**(Expressed in Canadian Dollars)**

| | For the thirteen months ended February 28, 2022 | For the twelve months ended January 31, 2021 |
|---|---|---|
| | $ | $ |
| **EXPENSES** | | |
| Accretion and interest expense | **68,800** | 84,781 |
| Advertising and promotion | **2,325,937** | 2,129 |
| Bank services charges | **7,399** | - |
| Legal fees | **710,836** | - |
| Listing expense (Note 8) | **4,048,732** | - |
| Management fees (Note 7) | **2,070,070** | 128,200 |
| Meals and entertainment | **17,729** | - |
| Office and miscellaneous | **88,892** | 31,323 |
| Professional fees | **133,259** | 122,016 |
| Research and development | **383,545** | - |
| Rent | **31,650** | - |
| Share-based compensation (Note 9) | **447,648** | 31,662 |
| Travel and entertainment | **68,822** | 1,650 |
| Transfer agent | **137,018** | - |
| Wages | **373,681** | - |
| | **(10,914,018)** | (401,761) |
| Impairment of intangible asset (Note 5) | **-** | (3,481,849) |
| Impairment of deposit (Note 6) | **-** | (112,588) |
| Other income (expenses) | **(368,769)** | (28,495) |
| Foreign exchange gain | **215,577** | - |
| Forgiveness of government loan (Note 12) | **20,000** | - |
| Net and comprehensive loss for the period | **(11,047,210)** | (4,024,693) |
| Loss per share (basic and diluted) | **(0.26)** | (0.09) |
| Weighted average number of common shares outstanding | **43,059,442** | 42,783,920 |

**PODA HOLDINGS, INC.**
**(FORMERLY PODA LIFESTYLE AND WELLNESS LTD.)**

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

## FOR THE THIRTEEN MONTHS ENDED FEBRUARY 28, 2022 AND THE TWELVE MONTHS ENDED JANUARY 31, 2021

**(Expressed in Canadian Dollars)**

| | Number of shares | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Common** | **Preferred** | **Amount** | **Contributed Surplus** | **Equity Portion of Convertible Notes** | **Deficit** | **Total** |
| | | | **$** | **$** | **$** | **$** | **$** |
| Balance as at January 31, 2020 | 42,783,920 | - | 630,160 | 1,175,348 | 35,385 | (1,267,388) | 573,505 |
| Share-based compensation | - | - | - | 31,662 | - | - | 31,662 |
| Convertible note | - | - | - | - | 12,664 | - | 12,664 |
| Comprehensive loss | - | - | - | - | - | (4,024,693) | (4,024,693) |
| **Balance as at January 31, 2021** | **42,783,920** | **-** | **630,160** | **1,207,010** | **48,049** | **(5,292,081)** | **(3,406,862)** |
| Preferred shares issued in exchange for common shares of Poda Technologies Ltd. | (42,783,920) | 42,784 | - | - | - | - | - |
| Deemed fair value of common shares and warrants held by existing shareholders upon completion of RTO | 30,025,001 | | 3,002,500 | 1,611,228 | - | - | 4,613,728 |
| Preferred shares issued for debt settlement | | 20,862 | 2,086,193 | - | - | - | 2,086,193 |
| Common shares issued for debt settlement | 3,595,285 | - | 359,528 | - | - | - | 359,528 |
| Private placements | 16,576,943 | - | 20,603,860 | - | - | - | 20,603,860 |
| Share issuance costs | - | - | (2,473,049) | 1,199,073 | | | (1,273,976) |
| Shares issued upon conversion of debentures | 4,500,000 | - | 212,500 | - | - | - | 212,500 |
| Exercise of warrants | 1,250,000 | - | 125,000 | - | - | - | 125,000 |
| Exercise of stock options | 60,000 | | 17,706 | (8,106) | - | - | 9,600 |
| Share-based compensation | - | - | - | 157,848 | - | - | 157,848 |
| Convertible note | - | - | - | - | (48,049) | - | (48,049) |
| Comprehensive loss | - | - | - | - | - | (11,047,210) | (11,047,210) |
| **Balance as at February 28, 2022** | **56,007,229** | **63,646** | **24,564,398** | **4,167,053** | **-** | **(16,339,291)** | **12,392,160** |

**PODA HOLDINGS, INC. (Formerly PODA LIFESTYLE AND WELLNESS LTD.)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Expressed in Canadian Dollars)**

| | For the thirteen months ended February 28, 2022 | For the twelve months ended January 31, 2021 |
|---|---|---|
| | $ | $ |
| **CASH PROVIDED BY (USED IN):** | | |
| **OPERATING ACTIVITIES** | | |
| Net loss for the period | **(11,047,210)** | (4,024,693) |
| Items not affecting cash | | |
| Forgiveness of government loan | **(20,000)** | - |
| Impairment of intangible asset | **-** | 3,481,849 |
| Impairment of deposit | **-** | 112,588 |
| Interest and accretion | **68,800** | 20,384 |
| Listing expense | **4,048,732** | - |
| Share-based compensation | **157,848** | 31,662 |
| Changes in non-cash working capital balances: | | |
| GST and taxes recoverable | **(340,838)** | 3,366 |
| Prepaid expenses and deposits | **(73,861)** | 7,878 |
| Accounts receivable | **873,036** | - |
| RSU liability | **289,800** | - |
| Deferred Revenue | **(74,984)** | 67,219 |
| Accounts payable | **56,467** | 323,467 |
| Cash provided (used) by operating activities | **(6,062,210)** | 23,720 |
| **INVESTING ACTIVITIES** | | |
| Intangible assets | **-** | (361,674) |
| Cash acquired upon RTO transaction | **34,220** | - |
| Deposit | **-** | (18,088) |
| Cash provided (used) in investing activities | **34,220** | (379,762) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from convertible note | **(48,049)** | 150,000 |
| Proceeds from exercise of warrants | **125,000** | - |
| Proceeds from exercise of options | **9,600** | - |
| Proceeds from issuance of common stock | **19,329,884** | - |
| CEBA Loan | **(40,000)** | - |
| Loans received | **(125,000)** | 185,000 |
| Cash provided (used) by financing activities | **19,251,435** | 335,000 |
| **CHANGE IN CASH DURING THE PERIOD** | **13,223,445** | (21,042) |
| **CASH, BEGINNING OF PERIOD** | **11,758** | 32,800 |
| **CASH, END OF PERIOD** | **13,235,203** | 11,758 |

Supplementary Cash Flow Information (Notes 8 and 9)

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

## 1. NATURE OPERATIONS

Poda Holdings, Inc. (formerly PODA Lifestyle & Wellness Ltd. or the "Company") was incorporated in the Province of British Columbia on July 6, 2018, under the Business Corporations Act of British Columbia ("BCBCA") under the name Gamora Capital Corp. On March 11, 2021, the Company changed its name to PODA Lifestyle & Wellness Ltd. On September 27, 2021, the Company changed its name to PODA Holdings, Inc. The Company's principal business activity is the design, development and production of a new and improved heat-not-burn technology for the consumption of tobacco and other materials.

The Company's head office is located at 666 Burrard St, Vancouver, BC V6C 2Z7.

The accompanying consolidated financial statements comprise the financial statements of the Company and its legal subsidiaries. The Company and Poda Technologies Ltd. ("Poda") entered into an Arrangement Agreement (Note 8) on February 8, 2021, pursuant to which the Company, by way of a court approved plan of arrangement under the provisions of Division 5 of Part 9 of the BCBCA acquired all of the issued and outstanding common and preferred shares of Poda in exchange for Preferred Shares to be issued as consideration pursuant to the Plan of Arrangement (the "Arrangement").

The Arrangement resulted in the shareholders of Poda acquiring control of the Company (the "Transaction"). The Transaction has been accounted for as a reverse take-over ("RTO"). Therefore, the Transaction, has been accounted for as an acquisition of the Company by Poda. As the Company does not meet the definition of a business as defined by International Financial Reporting Standards ("IFRS") 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2.

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. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

**(Expressed in Canadian Dollars)**

## 2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements, including IAS 34, Financial Reporting. In preparation of these consolidated financial statements, the Company has consistently applied the same accounting policies disclosed in the Poda's audited annual financial statements (see Note 8), with the exception of the new accounting standards adopted in the current year, as described below.

These consolidated financial statements were authorized for issue by the Board of Directors on June 28, 2022.

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as disclosed in Note 3.

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

c) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the subsidiaries controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

| Company | Place of Incorporation | Percentage of ownership |
|---|---|---|
| Poda Technologies Ltd. | Canada | 100% |
| Poda Tobacco, Inc. | Canada | 100% |
| Poda Alternatives, Inc. | Canada | 100% |
| Poda Research & Development, Inc. | Canada | 100% |
| Poda CBD, Inc. | Canada | 100% |
| Poda THC, Inc. | Canada | 100% |
| Poda Therapeutics, Inc. | Canada | 100% |

## 3. SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting estimates and judgements

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, 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:

Significant accounting estimates

i. the measurement of deferred income tax assets and liabilities; and
ii. inputs used in the measurement of share-based compensation.

Significant accounting judgment

i. the evaluation of the Company's ability to continue as a going concern;
ii. the evaluation on whether or not an acquisition of a business is considered a business combination or an asset acquisition;
iii. assessment of indications of impairment; and
iv. the determination of categories of financial assets and financial liabilities.

b) Income taxes

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

c) Financial instruments

Financial assets

On initial recognition financial assets are classified as measured at:

i. Amortized cost;

ii. Fair value through other comprehensive income ("FVOCI"); and

iii. Fair value through profit and loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification:

i. Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company does not have any assets classified at amortized cost.

ii. FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company does not have any assets classified at FVOCI.

iii. FVTPL

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Consolidated Statement of Loss and Comprehensive Loss in the period in which it arises.

The Company's cash is classified at FVTPL.

Financial Liabilities and Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as measured at (i) FVTPL; or (ii) amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI and the remaining amount of the change in the fair value is presented in profit or loss.

The Company does not classify any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The Company classifies its accounts payable, loans payable, amounts due to former related parties and convertible notes at amortized cost.

A financial liability is derecognized when the contractual obligation under the liability is discharged, cancelled or expires or its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

c) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued.

The Company has adopted the residual method with respect to the measurement of common shares and warrants issued as equity units. Warrants that are part of units are assigned a value based on the residual value, if any, and included in the reserves.

e) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Basic and diluted loss per share is the same for the periods presented.

f) Impairment of long-lived assets

Long-lived assets, including intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

g) Intangible assets

Intangible assets consist mainly of trademarks, pending patents and prototype development costs, including certain intellectual property. Acquired trademarks, patents and development costs are carried at cost less accumulated amortization and impairment. Intangible assets with indefinite lives are not amortized but are tested annually for impairment. Any impairment of intangible assets is recognized in the statement of operation and comprehensive loss but increases in intangible asset values are not recognized.

Estimated useful lives of intangible assets are shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

h) Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

i) Share-based payments

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

**(Expressed in Canadian Dollars)**

j) Business acquisitions

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

k) Convertible debt

Convertible debentures, where applicable, are separated into their liability and equity components using the effective interest method. The fair value of the liability component at the time of the issue is determined based on an estimated interest rate of the debentures without the conversion feature. The fair value of the equity component is determined as the difference between the face value and the fair value of the liability component.

## 4. ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its financial statements would not be significant.

## 5. INTANGIBLE ASSETS

| | Development Costs | License | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance, January 31, 2020 | 2,891,460 | 228,716 | 3,120,176 |
| Additions | 242,860 | 118,814 | 361,674 |
| Impairment | (3,134,319) | (347,530) | (3,481,849) |
| Balance, January 31, 2021 | 1 | - | 1 |
| Additions | - | - | - |
| Balance, February 28, 2022 | 1 | - | 1 |

As at February 28, 2022, the intangible assets relate to the Company's vaporizer prototype and a license agreement for the vaporizer technology.

During the period ended January 31, 2021, the Company completed its annual assessment of the recoverable amount of the intangible assets and determined that the recoverable amount was lower than the carrying value. Accordingly, the Company recorded an impairment loss of $3,481,849 to recognize its recoverable amount. No changes or adjustments related to the recoverability of the intangible assets occurred during the period ended February 28, 2022.

## 6. PREPAID EXPENSES AND DEPOSITS

As at February 28, 2022, the Company had a balance of $73,861 in prepaid expenses pertaining to advertising and consulting agreements paid for in advance.

In prior periods, the Company had a balance that consisted of amounts paid per the terms of a non-binding letter of intent to form a joint venture for the purpose of developing, constructing, operating, maintaining, and managing a facility which will manufacture and distribute the Company's patented heat-not-burn pods exclusively for the Company.

**(Expressed in Canadian Dollars)**

During the period ended January 31, 2021, the Company wrote-off the deposit amount in full $112,588 to recognize the economic uncertainty related to forming the joint venture. There have been no subsequent changes to this balance as at February 28, 2022.

## 7. RELATED PARTY BALANCES AND TRANSACTIONS

All related party transactions have occurred in the normal course of operations. Related party transactions occur and are recorded at the amounts agreed between the parties.

Poda had amounts payable to Invictus MD Strategies Corp. ("Invictus") of $2,086,106. Concurrent with the Transaction, Poda completed an assignment agreement (Note 8) with the Company. Pursuant to the Assignment Agreement, Poda assigned $2,086,106 amounts payable to the Company. The Company issued 20,862 preferred shares to settle the amounts payable of $2,086,106. Each preferred share entitles the holder to a restricted right to convert one preferred share into 1,000 common shares upon certain events or automatically on the following terms: [i] 10% after 12 months from the Effective Date of the Arrangement and [ii] 15% every 3 months thereafter.

On April 12, 2019, the Company acquired the rights to additional vaporizer-related intellectual property from the original founders of the Company (the "Inventors") on the terms and conditions set forth in an amended and restated royalties' agreement (the "Amended Agreement"). The Inventors and the Company previously entered into a royalties agreement dated April 19, 2015 (the "Original Agreement"), pursuant to which the Company agreed to pay royalties to the Inventors in the amount of 3% of the Company's gross revenues in relation to the commercialization of certain inventions (the "Original Inventions"). Since that time, the Inventors have developed certain additional vaporizer-related inventions (the "New Inventions") and in accordance with the terms and conditions of the Amended Agreement, the Company is granted a royalty-bearing exclusive license to commercialize, use, and sublicense the Original Inventions and the New Inventions. In exchange for the additional rights granted to the Company under the Amended Agreement, the Company has assigned the ownership of certain patents back to the Inventors and the royalty payable by the Company has been increased from 3% to 4.5%. The fair value of the patents assigned back to the Inventors was $146,583.

### Key management compensation

Key management is comprised of the Company's directors and executive officers. The Company incurred the following key management compensation during the periods ended February 28, 2022 and January 31, 2021:

| | **2022** | 2021 |
|---|---|---|
| | **$** | $ |
| Consulting and management fees | **1,004,239** | 161,220 |
| Share-based compensation | **19,650** | - |
| | **1,023,889** | 161,200 |

As at February 28, 2022, accounts payable includes $nil (January 31, 2021 - $347,798) due to the directors of the Company. As at February 28, 2022, the Company has advanced $225,000 (January 31, 2021 - $Nil) to a director. The amount has been repaid subsequent to year-end. The amounts are unsecured, non-interest bearing, and due on demand.

**(Expressed in Canadian Dollars)**

## 8. ARRANGEMENT AGREMEENT AND REVERSE TAKEOVER TRANSACTION

Pursuant to the Arrangement and Transaction described in Note 1, Poda shareholders received preferred shares at a ratio of one preferred share of the Company for every 1,000 shares held of Poda. Preferred shares entitle each holder to a restricted right to convert one preferred share into 1,000 common shares of the Company upon certain events or automatically on the following terms: (i) 10% after twelve (12) months from approval of the Arrangement and (ii) 15% every three (3) months thereafter. The Company and Poda obtained the required shareholder and regulatory approvals on April 23, 2021, resulting in 42,784 preferred shares issued which are convertible into 42,784,000 common shares.

The acquisition of Poda is accounted for as a reverse takeover, whereby, Poda is deemed to be the acquirer and the Company is deemed to be the acquire for accounting purposes. The Transaction constitutes an asset acquisition as the Company did not meet the definition of a business as defined in IFRS 3, Business Combinations. As a result, the Transaction is accounted for in accordance with IFRS 2, Share-based Payments whereby Poda is deemed to have issued shares in exchange for the net assets of the Company, together with its listing status at the fair value of the consideration deemed received by the Company's shareholders and the share capital of the Company is eliminated as a result of the acquisition. The consolidated financial statements of the combined entity are issued under the legal parent, the Company, but are considered a continuation of the financial statements, assets and operations of the legal subsidiary, Poda.

The listing expense of $4,048,732 is comprised of the fair value of the common shares of the Company retained by the former shareholders of the Company, along with warrants held, and other direct expenses of the transaction less the fair value of the net assets of the Company that were acquired in the Transaction, and is summarized as follows:

| | $ |
|---|---|
| Common shares deemed to be issued (30,025,001 shares at $0.10) | 3,002,500 |
| Warrants deemed to be issued | 1,611,228 |
| | 4,613,728 |
| Net assets of the Company: | |
| Cash | 34,220 |
| Accounts receivable | 902,059 |
| Accounts payable | (371,283) |
| | 564,996 |
| **Listing expense** | **4,048,732** |

## 9. SHARE CAPITAL

<u>Authorized Share Capital</u>

The Company has an unlimited number of common shares and preferred shares without par value authorized for issuance.

<u>Share Transactions</u>

The Company issued the following shares during the thirteen months ended February 28, 2022:

(i) Pursuant to the Transaction described in Note 8, the Company issued 42,784 preferred shares to the former Poda Shareholders and Poda became a wholly owned subsidiary of the Company.

(ii) The Company completed a private placement and issued 2,500,000 units at a price of $0.40 per unit, for gross proceeds of $1,000,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant is exerciseable by the holder to purchase one common share at an exercise price of $0.50 for a period of 24 months from the grant date.

(iii) The Company completed a private placement and issued 6,576,943 units at a price of $0.70 per unit, for gross proceeds of $4,603,860. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant is exerciseable by the holder to purchase one common share at an exercise price of $1.00 for a period of 24 months from the grant date. In connection with the private placement, share issuance costs paid in cash were $256,095. Additionally, the Company issued 351,849 finders' warrants at the same terms.

(iv) The Company completed a private placement and issued 7,500,000 units at a price of $2.00 per unit, for gross proceeds of $15,000,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant is exercisable by the holder to purchase one common share at an exercise price of $2.50 for a period of 36 months from the grant date. In connection with the private placement, share issuance costs paid in cash were $1,017,881. Additionally, the Company issued 525,000 finders' warrants at the same terms.

(v) Certain holders of convertible notes converted their convertible notes and interest accrued to date totaling $212,500 into 4,500,000 common shares of the Company.

(vi) The Company issued 1,250,000 and 60,000 common shares for gross proceeds of $125,000 and $17,706 pursuant to the exercise of share purchase warrants and stock options, respectively.

(vii) The Company settled liabilities totaling $359,528 through the issuance of 3,595,285 common shares of the Company.

**(Expressed in Canadian Dollars)**

Warrants

Movements in the number of warrants outstanding and their related weighted average exercise prices are as follows:

| | Number of warrants | Weighted average exercise price $ |
|---|---|---|
| Outstanding, January 31, 2021 | - | - |
| Deemed granted upon reverse take-over | 27,000,000 | 0.10 |
| Granted | 12,915,321 | 1.88 |
| Exercised | (1,250,000) | (0.10) |
| Outstanding, February 28, 2022 | 38,665,321 | 0.70 |

Warrants outstanding and exercisable as at February 28, 2022 are as follows:

| Number of Warrants | | | | Contractual Life of |
|---|---|---|---|---|
| Outstanding | Exercisable | Exercise Price | Expiry Date | Warrants Remaining |
| 25,750,000 | 25,750,000 | $0.10 | December 9, 2023 | 1.78 years |
| 1,250,000 | 1,250,000 | $0.50 | May 20, 2023 | 1.22 years |
| 3,288,472 | 3,288,472 | $1.00 | June 24, 2021 | 1.32 years |
| 351,849 | 351,849 | $1.00 | June 24, 2021 | 1.32 years |
| 7,500,000 | 7,500,000 | $2.50 | August 4, 2021 | 2.43 years |
| 525,000 | 525,000 | $2.50 | August 4, 2021 | 2.43 years |
| 38,665,321 | 37,415,321 | $0.70 | | 1.65 years |

As at February 28, 2022, 38,665,321 warrants are outstanding with a weighed average exercise price of $0.70 and a weighted average remaining contractual life of 1.65 years.

The fair values of the finders' warrants were estimated as at the date of the grant using the Black-Scholes option pricing model, with the following assumptions and resulting fair values:

| | June 24, 2021 | August 4, 2021 |
|---|---|---|
| Risk-free interest rate | 0.44% | 0.39% |
| Expected life of the warrants | 2 years | 3 years |
| Annualized volatility | 125% | 125% |
| Dividend Rate | 0.00% | 0.00% |
| Grant date common share fair value | $0.92 | $1.67 |

Stock options

The Company has adopted a rolling incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to Directors, officers, employees or consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 15% of the issued and outstanding common shares of the Company. Options and RSU's granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

On March 30, 2021, the Company granted a total of 550,000 incentive stock options to advisors and other eligible persons of the Company. The options are exercisable, subject to vesting provisions, over a period of five years at a price of $0.10 per share.

(Expressed in Canadian Dollars)

On November 1, 2021, the Company granted a total of 400,000 incentive stock options to advisors and other eligible persons of the Company. The options are exercisable, subject to vesting provisions, over a period of five years at a price of $0.56 per share.

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

| | Number of options | Weighted average exercise price $ |
|---|---|---|
| Outstanding, January 31, 2021 | 4,912,179 | 0.14 |
| Granted | 1,500,000 | 0.22 |
| Exercised | (60,000) | (0.16) |
| Forfeitures and cancellations | (987,134) | (0.18) |
| Expired | (831,855) | (0.16) |
| Outstanding, February 28, 2022 | 4,533,190 | 0.18 |

Stock options outstanding and exercisable as at February 28, 2022 are as follows:

| Number of Stock Options | | | | |
|---|---|---|---|---|
| Outstanding | Exercisable | Exercise Price | Expiry Date | Contractual Life of Warrants Remaining |
| 2,933,190 | 2,933,190 | $0.16 | March 15, 2024 | 2.04 years |
| 100,000 | 100,000 | $0.16 | October 31, 2025 | 3.67 years |
| 600,000 | 600,000 | $0.10 | January 15, 2026 | 3.88 years |
| 500,000 | 500,000 | $0.10 | March 30, 2026 | 4.08 years |
| 400,000 | 400,000 | $0.56 | November 1, 2026 | 4.68 years |
| 4,533,190 | 4,533,190 | | | |

As at February 28, 2022, 4,533,190 stock options are outstanding with a weighed average exercise price of $0.18 and a weighted average remaining contractual life of 2.3 years.

**(Expressed in Canadian Dollars)**

The fair values of the stock options were estimated as at the date of the grant using the Black-Scholes option pricing model, with the following assumptions and resulting fair values:

| | March 30, 2021 | November 1, 2021 |
|---|---|---|
| Risk-free interest rate | 0.94% | 1.60% |
| Expected life of the warrants | 5 years | 5 years |
| Annualized volatility | 125% | 125% |
| Dividend Rate | 0.00% | 0.00% |
| Grant date common share fair value | $0.08 | $0.47 |

For the period ended February 28, 2022, the Company recognized share-based compensation of $157,848 (2021: $31,662) related to stock options granted and vested during the period.

Restricted Share Units (“RSUs”)

On June 28, 2021, the Company granted an aggregate of 485,000 restricted share units to a consultant. The RSUs vest as follows: (a) 240,000 six months following the date of grant, and (b) 245,000 twelve months following the date of grant.

On July 6, 2021, the Company granted an aggregate of 435,000 restricted share units to an advisor. The RSUs vest as follows: (a) 215,000 six months following the date of grant, and (b) 220,000 twelve months following the date of grant.

On July 14, 2021, the Company granted an aggregate of 50,000 restricted share units to an advisor. The RSUs vest as follows: (a) 25,000 six months following the date of grant, and (b) 25,000 twelve months following the date of grant.

On August 9, 2021, the Company granted an aggregate of 40,000 restricted share units to an advisor. The RSUs vest as follows: (a) 20,000 six months following the date of grant, and (b) 20,000 twelve months following the date of grant.

The RSUs granted entitle the holder to receive a payout with respect to the vested RSUs within 60 days of vesting. As at and for the period ended February 28, 2022, the Company has recorded a liability of $289,800 on the statement of financial position, and a corresponding share-based compensation expense on the statement of comprehensive loss which represents the fair value of the RSUs based on the market price as of the date of vesting or period-end.

## 10. FINANCIAL INSTRUMENTS AND RISKS

Fair values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at February 28, 2022 and January 31, 2021, as follows:

| | | February 28, 2022 | | |
|---|---|---|---|---|
| | Carrying value $ | Level 1 $ | Level 2 $ | Level 3 $ |
| Cash | 13,235,203 | 13,235,203 | - | - |

| | | January 31, 2021 | | |
|---|---|---|---|---|
| | Carrying value $ | Level 1 $ | Level 2 $ | Level 3 $ |
| Cash | 11,758 | 11,758 | - | - |

The fair values of other financial instruments, which include accounts receivable, accounts payable, RSU liability, convertible note and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit risk

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure on any outstanding accounts receivable. The carrying amount of financial assets represents the maximum credit exposure.

Currency risk

Currency risk is the risk that changes in foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The Company is exposed to currency risk as it holds cash denominated in United States Dollars totaling $9,689,318 USD. A change in the foreign exchange rate of 10% will result in an impact of $1,230,000 CAD.

Interest rate risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
(ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. The Company's amounts due to related parties are non-interest bearing.

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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

## 11. CONVERTIBLE NOTES

On October 23, 2019, Poda issued convertible debenture for gross proceeds of up to $550,000. The debenture bears interest at 12% and is secured against the personal property of Poda. In the event that Poda earns a profit during any fiscal quarter, the debenture holders shall have the option to require Poda to prepay a portion of the principal amount and accrued interest amount and in an amount equal to up to 20% of the amount of profit for such quarter. At any time prior to the maturity date of the convertible debenture, the debenture holders have the option to convert any portion of the outstanding principal amount and accrued interest amount at the lower conversion rate of: i) 1 common share of Poda for $0.05 of the principal amount plus accrued interest amount remaining due or ii) 20% discount to the price per share for the most recent financing. On the maturity date, the balance of the principal amount shall automatically be converted into shares of Poda at the lower conversion rate of i) 1 common share of Poda for $0.05 of the principal amount remaining due or ii) 20% discount to the most recent financing prior to the maturity date. The debenture matures thirty-six (36) months from the date of closing of the financing on October 23, 2019 and is payable on demand after maturity. Interest expense of $35,938 (2021 - $64,397) was expensed to the consolidated statements of comprehensive loss during the period ended February 28, 2022. As at February 28, 2022, the Company had received an aggregate principal amount of $550,000 (2021 - $550,000) and converted $200,000 of the balance to common shares (Note 9), leaving an outstanding principal and interest balance payable of $429,507.

On December 9, 2020, the Company issued an unsecured convertible debenture for gross proceeds of $187,500. The debenture bears interest at 1% and matures thirty-six (36) months from the date of closing of the financing on December 9, 2020 and is payable on demand after maturity. At any time prior to the maturity date of the convertible debenture, the debenture holder has the option to convert any portion of the outstanding principal amount and accrued interest amount at the lower conversion rate of 1 common share of the Company for $0.025 of the principal amount plus accrued interest amount remaining due. The holders were issued an aggregate of 7,500,000 Common Share purchase warrants with an exercise price of $0.10 for every common share issued expiring three years from date of issuance. As at February 28, 2022, the Company had converted $12,500 of the balance to common shares (Note 9), leaving an outstanding principal and interest balance of $175,000.

## 12. LOANS PAYABLE

(i) On August 15, 2020, the Company received a loan from the Canadian government's Canada Emergency Business Account ("CEBA") Program in the amount of $40,000. On December 15, 2020, the Company received an additional CEBA Loan in the amount of $20,000 under the CEBA Loan expansion programs.

The CEBA is a government guaranteed loan that is interest-free and partially forgiveable if paid on or before December 31, 2023. If repaid on or before December 31, 2023, it would result in a loan forgiveness of up to 33 percent. The loan is available to help businesses with operating costs during COVID-19. The Company paid back $40,000 of the in February 2022 and as a result, $20,000 was forgiven.

(Expressed in Canadian Dollars)

## 13. CAPITAL MANAGEMENT

The Company manages its capital to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of all components of shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities, as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the period ended February 28, 2022.

## 14. INCOME TAXES

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

| | **2022** | 2021 |
|---|---|---|
| | **$** | $ |
| Canadian statutory income tax rate | **27.0%** | 27.0% |
| Income tax recovery at statutory rate | **(2,983,000)** | (1,087,000) |
| Tax effect of: | | |
| Permanent and other differences | **947,000** | 331,000 |
| Change in unrecognized deferred income tax assets | **2,036,000** | 756,000 |
| Deferred income tax expense | **-** | - |
| Current income tax expense | **-** | - |

**(Expressed in Canadian Dollars)**

The significant components of deferred income tax assets and liabilities are as follows:

| | **2022** | **2021** |
|---|---|---|
| | **$** | **$** |
| Deferred income tax assets (liabilities) | | |
| Non-capital losses carried forward | **2,083,000** | 423,000 |
| Capital losses carried forward | **15,000** | - |
| SR&ED expenditures carried forward | **505,000** | 459,000 |
| Investment tax credits | **173,000** | 54,000 |
| Convertible debt | **(14,000)** | (6,000) |
| Intangible assets | **-** | 91,000 |
| Capital assets | **20,000** | - |
| Share issuance costs | **275,000** | - |
| Total gross deferred income tax assets (liabilities) | **3,057,000** | 1,021,000 |
| Unrecognized deferred income tax assets | **(3,057,000)** | (1,021,000) |
| Net deferred income tax assets (liabilities) | **-** | - |

As at February 28, 2022, the Company has non-capital losses carried forward of $7,717,000 which are available to offset future years' taxable income. These losses expire as follows:

| | $ |
|---|---|
| 2035 | 9,000 |
| 2036 | 90,000 |
| 2037 | 27,000 |
| 2038 | 39,000 |
| 2039 | 473,000 |
| 2040 | 1,000 |
| 2041 | 134,000 |
| 2042 | 6,944,000 |
| | 7,717,000 |

## 15. SUBSEQUENT EVENT

On June 24, 2022, the Company, together with two directors of the Company who own certain patents (the "Owners"), completed the sale of substantially all assets and properties used in the Company's business of developing, manufacturing and marketing multi-substrate heated capsule technology, including, without limitation, the Owners' patents related to such technology and the Company's exclusive, perpetual license of certain of those patents pursuant to an amended and restated royalties agreement dated April 12, 2019 (the "Royalties Agreement"), for total consideration of US$100.5 million, subject to certain adjustments and holdbacks. US$55.28 million of the total consideration was allocated to the Company.

# PODA LIFESTYLE & WELLNESS LTD.

FINANCIAL STATEMENTS

FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

(Expressed in Canadian Dollars)

manning elliott

17th floor, 1030 West Georgia St., Vancouver, BC, Canada V6E 2Y3

**Tel:** 604. 714. 3600 **Fax:** 604. 714. 3669 **Web:** manningelliott.com

## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of PODA Lifestyle & Wellness Ltd.

### Opinion on the financial statements

We have audited the accompanying financial statements of PODA Lifestyle & Wellness Ltd. which comprise the statements of financial position as at February 28, 2021 and February 29, 2020, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended February 28, 2021 and February 29, 2020 and the period from incorporation on July 6, 2018 to February 28, 2019, and the related notes, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at as at February 28, 2021 and February 29, 2020, and its financial performance and its cash flows for the years ended February 28, 2021 and February 29, 2020 and the period from incorporation on July 6, 2018 to February 28, 2019 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 of the accompanying financial statements, which indicates that 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, which comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and do not and will not express any form of assurance conclusion thereon. In connection with our audits 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 and remain alert for indicators that the other information appears to be materially misstated.

If, based on the work we have performed on this other information, 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 these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

**Auditors' 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 auditors' 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 auditors' 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 auditors' 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 audit.

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

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia

March 29, 2021

**PODA Lifestyle & Wellness Ltd.**
Statements of Financial Position
(Expressed in Canadian Dollars)

| | February 28, 2021 | February 29, 2020 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| **CURRENT ASSETS:** | | |
| Cash held in trust | 863,626 | - |
| **TOTAL ASSETS** | 863,626 | - |
| **LIABILITIES AND SHAREHOLDERS DEFICIENCY** | | |
| **CURRENT LIABILITIES:** | | |
| Accounts payable and accrued liabilities | 31,379 | 2,732 |
| **LONG TERM LIABILITIES:** | | |
| Convertible debenture (Note 6) | 122,204 | - |
| Deferred income tax liability (Note 9) | 9,158 | - |
| **TOTAL LIABILITIES** | 162,741 | 2,732 |
| **SHAREHOLDERS EQUITY (DEFICIENCY)** | | |
| Share capital (Note 4) | 837,500 | - |
| Subscriptions receivable | (160,000) | - |
| Contributed surplus | 50,672 | - |
| Deficit | (27,287) | (2,732) |
| **TOTAL SHAREHOLDERS DEFICIENCY** | 700,885 | (2,732) |
| **TOTAL LIABILITIES AND SHAREHOLDERS EQUITY** | 863,626 | - |

Nature of business and going concern (Note 1)
Subsequent events (Note 10)

These financial statements were approved by the Board of Directors on March 29, 2021:

*"Jordan Crockett"*
Jordan Crockett, Director

**PODA Lifestyle & Wellness Ltd.**
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

| | Year ended February 28, 2021 | Year ended February 29, 2020 | Period ended February 28, 2019 |
|---|---|---|---|
| | $ | $ | $ |
| **EXPENSES** | | | |
| Foreign exchange | 1,374 | - | - |
| General and administrative | 498 | 608 | 2,124 |
| Interest and accretion | 4,534 | - | - |
| Professional fees | 27,733 | - | - |
| **NET LOSS BEFORE INCOME TAXES** | **(34,139)** | **(608)** | **(2,124)** |
| Deferred income tax recovery | **9,584** | **-** | **-** |
| **NET AND COMPREHENSIVE LOSS** | **(24,555)** | **(608)** | **(2,124)** |
| Net loss per share: basic and diluted | (0.00) | (608.00) | (2,124.00) |
| Weighted average number of shares outstanding: basic and diluted | 5,784,933 | 1 | 1 |

The accompanying notes are an integral part of these financial statements

**PODA Lifestyle & Wellness Ltd.**
Statements of Changes in Shareholders' Equity
Expressed in Canadian Dollars)

| | Share capital | | Subscriptions receivable | Contributed surplus | Deficit | Total |
|---|---|---|---|---|---|---|
| | # | $ | $ | $ | $ | $ |
| Balance July 6, 2018 (date of incorporation) | - | - | - | - | - | - |
| Shares issued upon incorporation | 1 | - | - | - | - | - |
| Net loss for the period | - | - | - | - | (2,124) | (2,124) |
| Balance at February 28, 2019 | 1 | - | - | - | (2,124) | (2,124) |
| Net loss for the year | | | | | (608) | (608) |
| Balance at February 29, 2020 | 1 | - | - | - | (2,732) | (2,732) |
| Shares issued for cash | 26,500,000 | 837,500 | (160,000) | - | - | 677,500 |
| Equity portion of convertible debenture | - | - | - | 50,672 | - | 50,672 |
| Net loss for the year | - | - | - | - | (24,555) | (24,555) |
| Balance at February 28, 2021 | 26,500,001 | 837,500 | (160,000) | 50,672 | (27,287) | 700,885 |

The accompanying notes are an integral part of these financial statements

**PODA Lifestyle & Wellness Ltd.**
Statement of Cash Flows
(Expressed in Canadian Dollars)

| | Year Ended February 28, 2021 | Year Ended February 29, 2020 | Period Ended February 28, 2019 |
|---|---|---|---|
| | $ | $ | $ |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Net loss | (24,555) | (608) | (2,124) |
| Non cash item: | | | |
| Accretion | 4,118 | - | - |
| Deferred income tax recovery | (9,584) | | |
| Changes in operating assets and liabilities: | | | |
| Accounts payable and accrued liabilities | 28,647 | 608 | 2,124 |
| Net cash used in operating activities | (1,374) | - | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Cash received from shares issued | 677,500 | - | - |
| Cash received from convertible debentures issued | 187,500 | - | - |
| Net cash provided by financing activities | 863,626 | - | - |
| **Increase in cash and cash equivalents** | 863,626 | - | - |
| Cash held in trust, beginning of year | - | - | - |
| Cash held in trust, end of year | 863,626 | - | - |
| | - | | |
| **Supplemental cash flow information** | | | |
| Interest paid | - | - | - |
| Income taxes paid | - | - | - |

The accompanying notes are an integral part of these financial statements

## 1. NATURE OF OPERATIONS AND GOING CONCERN

PODA Lifestyle & Wellness Ltd. (the "Company") was incorporated in the Province of British Columbia on July 6, 2018, under the Business Corporations Act of British Columbia under the name Gamora Capital Corp. On March 11, 2021, the Company changed its name to PODA Lifestyle & Wellness Ltd. The Company's head office is located at 666 Burrard St, Vancouver, BC V6C 2Z7.

The Company was formed for the primary purpose of completing a Public Listing ("Listing") on the Canadian Securities Exchange (the "Exchange"). The Company's primary business is to identify, evaluate and acquire assets, properties or businesses for the Listing.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will realize its assets and discharge its liabilities in the normal course of business for at least the next twelve months. The Company does not have any working capital and has not earned income from inception. These factors indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities, when due, is dependent upon the Company's ability to execute its business plan which may require additional financing. The timing and availability of additional financing will be determined largely by the performance of the Company and market conditions and there is no certainty that the Company will be able to raise funds as they are required in the future.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to reflect these financial statements on a liquidation basis which could differ from accounting principles applicable to a going concern.

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. The Company's operations have not been drastically impacted by the pandemic. Management continues to monitor the situation and take the necessary precautions as deemed appropriate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation**
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). They are prepared on a historical cost basis.

The financial statements have been prepared on an accrual basis. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

The financial statements were authorized for issue by the Board of Directors on March 29, 2021.

**Significant accounting judgments and estimates**
The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Judgements are choices in accounting policies and disclosures which management believes are supported by facts and circumstances existing at the date of the financial statements.

They are as follows:

- The determination of the Company's ability to continue as a going concern.
- Discount rate applied for the purpose of calculating the present value of the liability component of convertible debentures.

**Income (loss) per share**

Basic income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. To compute diluted income (loss) per share, adjustments are made to common shares outstanding, if applicable. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the period or at the time of issuance, all options and warrants were exercised. The proceeds from exercise are assumed to be used to purchase the Company's common shares at their average market price during the period. If this computation is anti-dilutive, diluted income (loss) per share is the same as basic income (loss) per share. For the periods presented, this calculation proved to be anti-dilutive.

**Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the underlying assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it more likely than not that a deferred tax asset will be recovered, it does not recognize the asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

### Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*Financial assets – Classification*

The Company classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI"), or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

*Fair value hierarchy*

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 - Inputs for the asset or liability that are not based upon observable market data.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

*Financial assets - Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its debt instruments:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest method.

Fair value through OCI ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period in which it arises.

The Company has designated its cash held in trust as FVTPL.

*Financial liabilities*

The Company classifies its financial liabilities into the following categories:

- Financial liabilities at FVTPL; and
- Amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of the change in the fair value is presented in profit or loss.

The Company has not designated any financial liabilities at FVTPL. The Company has designated its accounts payable and convertible debenture as amortized cost.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

## 3. ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## 4. SHARE CAPITAL

Common shares

The Company's authorized capital consists of an unlimited number of common shares without par value. As at February 28, 2021 there were 26,500,000 issued and outstanding common shares (2020-1).

On December 9, 2020, the Company issued 19,500,000 common shares for proceeds of $487,500. Pursuant to the private placement, the Company has received $477,500 and the remaining proceeds were outstanding. The holders were issued an aggregate of 19,500,000 common share purchase warrants with an exercise price of $0.10 for every common share issued expiring three years from date of issuance.

On December 14, 2020, the Company issued 7,000,000 common shares for proceeds of $350,000. Pursuant to the private placement, the Company has received $200,000 and the remaining proceeds were outstanding.

There were no share capital transactions during the year ended February 29, 2020 and the period ended February 28, 2019.

Warrants

During the year ended February 28, 2021, the Company issued an aggregate of 27,000,000 warrants pursuant to a unit private placement and convertible debenture issued on December 9, 2020. Each warrant is exercisable into one common share of the Company at $0.10 per common share for a period of three years from the date of issuance.

There were no warrant transactions during the year ended February 29, 2020 and the period ended February 28, 2019.

As at February 28, 2021, 27,000,000 warrants are outstanding with a weighted average exercise price of $0.10 and a weighted average remaining contractual life of 2.78 years.

## 5. RELATED PARTY TRANSACTIONS AND BALANCES

**Key Management personnel compensation**

Key management personnel consist of officers and directors of the Company. No remuneration was paid during the years ended February 28, 2021 and February 29, 2020 and the period ended February 28, 2019 to any key management personnel.

## 6. CONVERTIBLE DEBENTURE

On December 9, 2020, the Company issued an unsecured convertible debenture for gross proceeds of $187,500. The convertible debenture bears interest at 1%, matures in 36 months, and is payable on demand after maturity. At any time prior to the maturity date of the convertible debenture, the holder has the option to convert any portion of the outstanding principal amount and accrued interest amount at a conversion rate of one common share of the Company for $0.025 of the principal amount plus accrued interest amount remaining due. The holders were issued an aggregate of 7,500,000 common share purchase warrants with an exercise price of $0.10 for every common share issued expiring three years from date of issuance.

Using a risk adjusted discount rate of 18%, the present value of the liability component was determined to be $118,086 and the remaining $69,414 and was recognized as the equity portion of convertible debenture on the Statement of Financial Position. Upon recognition of the equity portion of convertible debenture, a deferred income tax liability of $18,742 was recorded against equity, representing the difference between the tax and carrying values of the convertible debenture, thereby reducing the equity portion of the convertible debenture to $50,673. During the year ended February 28, 2021, the Company recorded accretion expense and interest expense of $4,118 and $416, respectively, in the Statement of Comprehensive Loss.

## 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash held in trust, accounts payable and convertible debenture. The carrying value of these financial instruments approximates their fair values due to their immediate or short-term maturity.

The Company classifies the fair value of these financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Cash and cash equivalents is classified under Level 1.

Level 2 – Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices). The Company does not have any financial instruments classified under Level 2.

Level 3 – Valuations in the level are those with inputs for the asset or liability that are not based on observable market data. The Company does not have any financial instruments classified under Level 3.

The Company measures its cash held it trust at fair value.

The Company's financial instruments are exposed to the following risks:

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 through its capital management and ensuring that sufficient financial resources to meet liabilities as they come due. As at February 28, 2021, the Company has a working capital of $832.247. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

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

Interest Rate Risk

The Company does not have any financial assets exposed to interest rate risk.

Price Risk

Price risk is the risk associated with equity prices. The Company closely monitors equity prices to determine the appropriate course of action to be taken by the Company.

Foreign exchange risk

The Company's functional and reporting currency is the Canadian dollar. The Company's transactions are predominantly in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

(Expressed in Canadian Dollars)

## 8. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. There were no changes to the Company's approach to capital management during the year ended February 28, 2021. The Company is not subject to externally imposed capital requirements. The Company may raise additional debt or equity financing in the near future to meet its obligations.

## 9. INCOME TAX

In assessing deferred income tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment and concluding the deferred tax assets were not realized.

| | **2021** | **2020** | **2019** |
|---|---|---|---|
| Canadian statutory income tax rate | 27% | 27% | 27% |
| | $ | $ | $ |
| Income tax payable at statutory rate | (9,218) | (164) | (574) |
| Effect on income taxes of: | | | |
| Permanent differences and other | 372 | - | - |
| Change in unrecognized deferred income tax assets | (738) | 164 | 574 |
| Deferred income tax recovery | (9,584) | - | - |

The nature and effect of the Company's deferred tax assets is as follows:

| | **2021** | **2020** | **2019** |
|---|---|---|---|
| | $ | $ | $ |
| Non capital losses carried forward | 8,472 | 738 | 574 |
| Convertible debentures | (17,630) | | |
| Deferred income tax assets not recognized | - | (738) | (574) |
| Net deferred income tax asset (liability) | (9,158) | - | - |

As at February 28, 2021, the Company had approximately $31,000 in non-capital loss carry forward available to reduce taxable income for future year. The non-capital losses begin to expire in 2039.

## 10. SUBSEQUENT EVENTS

*Private Placement*

On March 10, 2021, the Company issued 150,000 special warrants for total gross proceeds of $7,500.

*Plan of Arrangement*

On February 8, 2021, the Company and Poda Technologies Ltd. (“Poda”) entered into a Plan of Arrangement Agreement (the “Arrangement” or the |Arrangement Agreement”). Completion of the Arrangement as set forth in the Arrangement Agreement was approved by the shareholders of Poda on March 19, 2021, and a final order granted by the Supreme Court of British Columbia on March 24, 2021 in accordance with Part 9 of the Business Corporations Act (British Columbia). As a result of the Arrangement, the Company issued 42,784 preferred shares to the former Poda Shareholders and Poda became a wholly owned subsidiary of the Company.

# IDLE LIFESTYLE, INC.

## (FORMERLY PODA HOLDINGS, INC.)

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE NINE MONTHS ENDED NOVEMBER 30, 2022 AND 2021

## (Expressed in Canadian Dollars)

## (Unaudited)

**IDLE LIFESTYLE, INC.**
**(FORMERLY PODA HOLDINGS, INC.)**

## CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

**(Expressed in Canadian Dollars)**

| | **November 30, 2022 (Unaudited)** | February 28, 2022 (Audited) |
|---|---|---|
| | **$** | $ |
| **ASSETS** | | |
| **Current** | | |
| Cash | **3,810,913** | 13,235,203 |
| GST and taxes recoverable | **2,296** | 377,586 |
| Prepaid expenses and deposits | **32,856** | 73,861 |
| Advances receivable | **-** | 225,000 |
| | **3,846,065** | 13,911,650 |
| Intangible Assets (Note 5) | **1** | 1 |
| | **3,846,066** | 13,911,651 |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **18,436** | 625,184 |
| Current tax liability (Note 15) | **3,296,859** | - |
| RSU liability (Note 9) | **-** | 289,800 |
| | **3,315,295** | 914,984 |
| **Non-current** | | |
| Convertible Notes (Note 11) | **-** | 604,507 |
| | **3,315,295** | 1,519,491 |
| **EQUITY** | | |
| Share capital (Note 9) | **695,480** | 24,564,398 |
| Contributed surplus | **4,209,962** | 4,167,053 |
| Deficit | **(4,374,671)** | (16,339,291) |
| | **530,771** | 12,392,160 |
| | **3,846,066** | 13,911,651 |

NATURE OF OPERATIONS (Note 1)

Approved and authorized for issuance on behalf of the Board on January 27, 2023:

*/s/ Patrick Gray,* Director *(/s/ Aaron Bowden,)* Director

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

**IDLE LIFESTYLE, INC**
**(FORMERLY PODA HOLDINGS, INC.)**

**CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

**(Expressed in Canadian Dollars – Unaudited)**

| | **Three Months Ended Nov 30, 2022** | Three Months Ended Nov 30, 2021 | **Nine Months Ended Nov 30, 2022** | Nine Months Ended Nov 30, 2021 |
|---|---|---|---|---|
| | **$** | $ | **$** | $ |
| **EXPENSES** | | | | |
| Advertising and promotion | **3,750** | 874,592 | **340,486** | 2,390,177 |
| Accretion and interest expense | **-** | 10,471 | **15,484** | 53,163 |
| Management fees (Note 7) | **-** | 224,617 | **-** | 1,877,473 |
| Office and miscellaneous | **78,288** | 261,902 | **397,559** | 326,847 |
| Professional fees (Note 7) | **76,572** | 166,972 | **10,227,509** | 470,324 |
| Research and development | **2,849** | 63,429 | **127,820** | 352,925 |
| Share-based compensation (Note 9) | **28,464** | 239,581 | **104,909** | 390,291 |
| Wages | **142,360** | - | **994,310** | - |
| Travel and entertainment | **1,062** | 35,874 | **23,422** | 57,398 |
| | **(333,345)** | (1,877,438) | **(12,231,499)** | (5,918,598) |
| Other income | **26,811** | - | **100,119** | - |
| Foreign exchange gain (loss) | **19,396** | - | **(199,826)** | - |
| Forgiveness of government loan (Note 12) | **-** | - | **20,000** | - |
| Disposal of assets (Note 15) | **-** | - | **67,817,449** | - |
| Net and comprehensive income (loss) before income taxes | **(287,138)** | (1,877,438) | **55,506,243** | (5,918,598) |
| Current tax expense (Note 15) | **-** | - | **(3,296,859)** | |
| Net and comprehensive income (loss) for the period | **(287,138)** | (1,877,438) | **52,209,384** | (5,918,598) |
| Income (loss) per share (basic and diluted) | **(0.00)** | (0.05) | **0.57** | (0.15) |
| Weighted average number of common shares outstanding | **73,398,436** | 38,914,395 | **91,221,885** | 38,914,395 |

**IDLE LIFESTYLE, INC**
**(FORMERLY PODA HOLDINGS, INC.)**

## CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

**(Expressed in Canadian Dollars – Unaudited)**

| | Number of shares | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common | Preferred | Amount | Contributed Surplus | Equity Portion of Convertible Notes | Retained earnings (Deficit) | Total |
| | | | $ | $ | $ | $ | $ |
| Balance as at January 31, 2021 | 42,783,920 | - | 630,160 | 1,207,010 | 48,049 | (5,292,081) | (3,406,862) |
| Preferred shares issued in exchange for common shares of Poda Technologies Ltd. | (42,783,920) | 42,784 | - | - | - | - | - |
| Deemed fair value of common shares and warrants held by existing shareholders upon completion of RTO | 30,025,001 | | 3,002,500 | 1,611,228 | - | - | 4,613,728 |
| Preferred shares issued for debt settlement | - | 20,862 | 2,086,193 | - | - | - | 2,086,193 |
| Common shares issued for debt settlement | 3,595,285 | - | 359,528 | - | - | - | 359,528 |
| Private placements | 16,576,943 | - | 20,603,860 | - | - | - | 20,603,860 |
| Share issuance costs | - | - | (2,473,049) | 1,199,073 | - | - | (1,273,976) |
| Shares issued upon conversion of debentures | 4,500,000 | - | 212,500 | - | - | - | 212,500 |
| Exercise of warrants | 1,050,000 | - | 105,000 | - | - | - | 105,000 |
| Share-based compensation | - | - | - | 150,710 | - | - | 150,710 |
| Convertible note | - | - | - | - | (48,049) | - | (48,049) |
| Comprehensive loss | - | - | - | - | - | (5,998,630) | (5,998,630) |
| **Balance as at November 30, 2021** | **55,747,229** | **63,646** | **24,526,692** | **4,168,021** | **-** | **(11,290,711)** | **17,404,002** |
| Balance as at February 28, 2022 | 56,007,229 | 63,646 | 24,564,398 | 4,167,053 | - | (16,339,291) | 12,392,160 |
| Conversion of preferred shares to common | 32,759,696 | (32,760) | - | - | - | - | - |
| Shares issued upon conversion of debentures | 15,590,140 | - | 604,507 | - | - | - | 604,507 |
| Exercise of warrants | 25,750,000 | - | 2,311,242 | - | - | - | 2,311,242 |
| RSU conversion | 1,010,000 | - | 289,800 | - | - | - | 289,800 |
| Exercise of stock options | 4,478,044 | | 938,089 | (62,000) | - | - | 876,089 |
| Return of capital (Note 15) | - | - | (28,012,556) | - | - | - | (28,012,556) |
| Dividends paid (Note 15) | - | - | - | - | - | (40,244,764) | (40,244,764) |
| Share-based compensation | - | - | - | 104,909 | - | - | 104,909 |
| Comprehensive income | - | - | - | - | - | 52,209,384 | 52,209,384 |
| **Balance as at November 30, 2022** | **135,595,109** | **30,886** | **695,480** | **4,209,962** | **-** | **(4,374,671)** | **530,771** |

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

**IDLE LIFESTYLE, INC**
**(FORMERLY PODA HOLDINGS, INC.)**

**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**

**FOR THE NINE MONTHS ENDED November 30, 2022 AND 2021**

**(Expressed in Canadian Dollars – Unaudited)**

| | 2022 | 2021 |
|---|---|---|
| | $ | $ |
| **CASH PROVIDED BY (USED IN):** | | |
| **OPERATING ACTIVITIES** | | |
| Net income (loss) for the period | **52,209,384** | (5,918,598) |
| Items not affecting cash | | |
| Gain on disposal of assets | **(67,817,449)** | - |
| Interest and accretion | - | 53,163 |
| Forgiveness of liabilities | - | (48,048) |
| Share-based compensation | **104,909** | 390,291 |
| Changes in non-cash working capital balances: | | |
| GST and taxes recoverable | **375,290** | (83,243) |
| Prepaid expenses and deposits | **41,005** | (319,305) |
| RSU liability | **(289,800)** | - |
| Convertible note converted to common stock | **(604,507)** | (200,000) |
| Issuance of shares to extinguish liabilities | - | (2,086,106) |
| Advances receivable | **225,000** | - |
| Tax liability | **3,296,859** | - |
| Accounts payable | **(606,748)** | (807,889) |
| Cash used in operating activities | **(13,066,057)** | (9,019,735) |
| **INVESTING ACTIVITIES** | | |
| Purchase of assets (Note 14) | **(3,669,709)** | - |
| Proceeds from sale of assets (Note 15) | **71,487,158** | - |
| Cash provided by investing activities | **67,817,449** | - |
| **FINANCING ACTIVITIES** | | |
| Dividends (Note 15) | **(40,244,764)** | - |
| Return of capital (Note 15) | **(28,012,556)** | - |
| Proceeds from exercise of warrants | **2,311,242** | 105,000 |
| Proceeds from exercise of options | **876,089** | - |
| Proceeds from issuance of common stock | **894,307** | 23,308,741 |
| Cash provided (used) by financing activities | **(64,175,682)** | 23,413,741 |
| **CHANGE IN CASH DURING THE PERIOD** | **(9,424,290)** | 14,394,006 |
| **CASH, BEGINNING OF PERIOD** | **13,235,203** | 7,769 |
| **CASH, END OF PERIOD** | **3,810,913** | 14,401,775 |

Supplementary Cash Flow Information (Notes 8 and 9)

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

## 1. NATURE OPERATIONS

Idle Lifestyle, Inc. (formerly Poda Holdings, Inc., or the "Company") was incorporated in the Province of British Columbia on July 6, 2018, under the Business Corporations Act of British Columbia ("BCBCA") under the name Gamora Capital Corp. On March 11, 2021, the Company changed its name to PODA Lifestyle & Wellness Ltd. On September 27, 2021, the Company changed its name to PODA Holdings, Inc. On June 24, 2022, the Company changed its name to Idle Lifestyle, Inc. The Company's principal business activity is the design, development and production of a new and improved heat-not-burn technology for the consumption of tobacco and other materials.

The Company's head office is located at 666 Burrard St, Vancouver, BC V6C 2Z7.

The accompanying consolidated interim financial statements comprise the financial statements of the Company. On March 1, 2022, the Company completed an amalgamation with Poda Technologies Ltd. ("Poda") under the name of the Company.

The Company and Poda entered into an Arrangement Agreement (Note 8) on February 8, 2021, pursuant to which the Company, by way of a court approved plan of arrangement under the provisions of Division 5 of Part 9 of the BCBCA acquired all of the issued and outstanding common and preferred shares of Poda in exchange for Preferred Shares to be issued as consideration pursuant to the Plan of Arrangement (the "Arrangement").

The Arrangement resulted in the shareholders of Poda acquiring control of the Company (the "Transaction"). The Transaction has been accounted for as a reverse take-over ("RTO"). Therefore, the Transaction, has been accounted for as an acquisition of the Company by Poda. As the Company does not meet the definition of a business as defined by International Financial Reporting Standards ("IFRS") 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2.

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. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

## 2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. In preparation of these consolidated interim financial statements, the Company has consistently applied the same accounting policies disclosed in its audited annual financial statements (see Note 8), with the exception of the new accounting standards adopted in the current year, as described below.

These consolidated interim financial statements were authorized for issue by the Board of Directors on January 27, 2023.

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as disclosed in Note 3.

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

The preparation of these consolidated interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated interim financial statements are disclosed in Note 3.

c) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the subsidiaries controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

## 3. SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting estimates and judgements

The preparation of these consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, 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:

Significant accounting estimates

i. the measurement of deferred income tax assets and liabilities; and
ii. inputs used in the measurement of share-based compensation.

Significant accounting judgment

i. the evaluation of the Company's ability to continue as a going concern;
ii. the evaluation on whether or not an acquisition of a business is considered a business combination or an asset acquisition;
iii. assessment of indications of impairment; and
iv. the determination of categories of financial assets and financial liabilities.

b) Income taxes

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments

Financial assets

On initial recognition financial assets are classified as measured at:

i. Amortized cost;

ii. Fair value through other comprehensive income ("FVOCI"); and

iii. Fair value through profit and loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification:

i. Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company does not have any assets classified at amortized cost.

ii. FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company does not have any assets classified at FVOCI.

iii. FVTPL

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Consolidated Statement of Loss and Comprehensive Loss in the period in which it arises.

The Company's cash is classified at FVTPL.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

Financial Liabilities and Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as measured at (i) FVTPL; or (ii) amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI and the remaining amount of the change in the fair value is presented in profit or loss.

The Company does not classify any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The Company classifies its accounts payable, loans payable, amounts due to former related parties and convertible notes at amortized cost.

A financial liability is derecognized when the contractual obligation under the liability is discharged, cancelled or expires or its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

c) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued.

The Company has adopted the residual method with respect to the measurement of common shares and warrants issued as equity units. Warrants that are part of units are assigned a value based on the residual value, if any, and included in the reserves.

e) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Basic and diluted loss per share is the same for the periods presented.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment of long-lived assets

Long-lived assets, including intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

g) Intangible assets

Intangible assets consist mainly of trademarks, pending patents and prototype development costs, including certain intellectual property. Acquired trademarks, patents and development costs are carried at cost less accumulated amortization and impairment. Intangible assets with indefinite lives are not amortized but are tested annually for impairment. Any impairment of intangible assets is recognized in the statement of operation and comprehensive loss but increases in intangible asset values are not recognized.

Estimated useful lives of intangible assets are shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

h) Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

i) Share-based payments

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

(Expressed in Canadian Dollars – Unaudited)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Business acquisitions

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

k) Convertible debt

Convertible debentures, where applicable, are separated into their liability and equity components using the effective interest method. The fair value of the liability component at the time of the issue is determined based on an estimated interest rate of the debentures without the conversion feature. The fair value of the equity component is determined as the difference between the face value and the fair value of the liability component.

## 4. ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its financial statements would not be significant.

## 5. INTANGIBLE ASSETS

| | Development Costs | License | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance, February 28, 2022 and November 30, 2022 | 1 | - | 1 |

As at November 30, 2022, the intangible assets relate to the Company's vaporizer prototype and a license agreement for the vaporizer technology.

In prior periods, the Company completed its annual assessment of the recoverable amount of the intangible assets and determined that the recoverable amount was lower than the carrying value. Accordingly, the Company recorded an impairment loss of $3,481,849 to recognize its recoverable amount. No changes or adjustments related to the recoverability of the intangible assets occurred during the period ended November 30, 2022.

## 6. PREPAID EXPENSES AND DEPOSITS

As at November 30, 2022, the Company had a balance of $32,856 in prepaid expenses pertaining to advertising and consulting agreements paid for in advance.

**(Expressed in Canadian Dollars – Unaudited)**

## 7. RELATED PARTY BALANCES AND TRANSACTIONS

All related party transactions have occurred in the normal course of operations. Related party transactions occur and are recorded at the amounts agreed between the parties.

### Key management compensation

Key management is comprised of the Company's directors and executive officers. The Company incurred the following key management compensation during the periods ended November 30, 2022 and November 30, 2021:

| | **2022** | 2021 |
|---|---|---|
| | **$** | $ |
| Professional and management fees | **2,238,673** | 785,711 |
| Wages | **994,310** | - |
| Share-based compensation | **-** | 10,131 |
| | **3,232,983** | 795,841 |

## 8. ARRANGEMENT AGREMEENT AND REVERSE TAKEOVER TRANSACTION

Pursuant to the Arrangement and Transaction described in Note 1, Poda shareholders received preferred shares at a ratio of one preferred share of the Company for every 1,000 shares held of Poda. Preferred shares entitle each holder to a restricted right to convert one preferred share into 1,000 common shares of the Company upon certain events or automatically on the following terms: (i) 10% after twelve (12) months from approval of the Arrangement and (ii) 15% every three (3) months thereafter. The Company and Poda obtained the required shareholder and regulatory approvals on April 23, 2021, resulting in 42,784 preferred shares issued which are convertible into 42,784,000 common shares.

The acquisition of Poda is accounted for as a reverse takeover, whereby, Poda is deemed to be the acquirer and the Company is deemed to be the acquiree for accounting purposes. The Transaction constitutes an asset acquisition as the Company did not meet the definition of a business as defined in IFRS 3, Business Combinations. As a result, the Transaction is accounted for in accordance with IFRS 2, Share-based Payments whereby Poda is deemed to have issued shares in exchange for the net assets of the Company, together with its listing status at the fair value of the consideration deemed received by the Company's shareholders and the share capital of the Company is eliminated as a result of the acquisition. The consolidated financial statements of the combined entity are issued under the legal parent, the Company, but are considered a continuation of the financial statements, assets and operations of the legal subsidiary, Poda.

(Expressed in Canadian Dollars – Unaudited)

## 9. SHARE CAPITAL

Authorized Share Capital

The Company has an unlimited number of common shares and preferred shares without par value authorized for issuance.

Share Transactions

The Company issued the following shares during the period ended November 30, 2022:

(i) Pursuant to the Transaction described in Note 8, the Company issued 32,759,696 common shares of the Company after the conversion of 32,760 preferred shares to the former Poda Shareholders.

(ii) Certain holders of convertible notes converted their convertible notes and interest accrued to date totaling $604,507 into 15,590,140 common shares of the Company.

(iii) The Company issued 25,750,000 and 4,478,044 common shares for gross proceeds of $2,575,000 and $670,433 pursuant to the exercise of share purchase warrants and stock options, respectively.

(iv) The Company issued 1,010,000 common shares pursuant to conversion of restricted share units with a fair value of $289,800.

Warrants

Movements in the number of warrants outstanding and their related weighted average exercise prices are as follows:

| | Number of warrants | Weighted average exercise price $ |
|---|---|---|
| Outstanding, February 28, 2021 | - | - |
| Deemed granted upon reverse take-over | 27,000,000 | 0.10 |
| Granted | 12,915,321 | 1.88 |
| Exercised | (1,250,000) | (0.10) |
| Outstanding, February 28, 2022 | 38,665,321 | 0.70 |
| Exercised | (25,750,000) | (0.10) |
| Outstanding, November 30, 2022 | 12,915,321 | 1.88 |

Warrants outstanding and exercisable as at November 30, 2022 are as follows:

| Number of Warrants | | | | |
|---|---|---|---|---|
| Outstanding | Exercisable | Exercise Price | Expiry Date | Contractual Life of Warrants Remaining |
| 1,250,000 | 1,250,000 | $0.10 | May 20, 2023 | 0.46 years |
| 3,640,321 | 3,640,321 | $1.00 | June 24, 2023 | 0.56 years |
| 7,500,000 | 7,500,000 | $2.50 | July 29, 2023 | 0.66 years |
| 525,000 | 525,000 | $2.50 | August 4, 2024 | 1.68 years |
| 12,915,321 | 12,915,321 | $1.88 | | 0.66 years |

**(Expressed in Canadian Dollars – Unaudited)**

## 9. SHARE CAPITAL (continued)

As at November 30, 2022, 12,915,321 warrants are outstanding with a weighed average exercise price of $1.88 and a weighted average remaining contractual life of 1.88years.

Stock options

The Company has adopted a rolling incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to Directors, officers, employees or consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 15% of the issued and outstanding common shares of the Company. Options and RSU's granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

| | Number of options | Weighted average exercise price $ |
|---|---|---|
| Outstanding, February 28, 2021 | 4,912,178 | 0.14 |
| Granted | 1,500,000 | 0.22 |
| Exercised | (60,000) | (0.16) |
| Forfeitures and cancellations | (987,134) | (0.18) |
| Outstanding, February 28, 2022 | 5,365,044 | 0.18 |
| Exercised | (4,478,044) | (0.15) |
| Forfeitures and cancellations | (200,000 | (0.10) |
| Outstanding, November 30, 2022 | 687,000 | 0.37 |

Stock options outstanding and exercisable as at November 30, 2022 are as follows:

| Number of Stock Options | | | | |
|---|---|---|---|---|
| Outstanding | Exercisable | Exercise Price | Expiry Date | Contractual Life of Options Remaining |
| 12,000 | 12,000 | $0.16 | March 15, 2024 | 1.29 years |
| 200,000 | 200,000 | $0.10 | January 15, 2026 | 3.13 years |
| 75,000 | 75,000 | $0.10 | March 30, 2026 | 3.33 years |
| 400,000 | 400,000 | $0.56 | November 1, 2026 | 3.92 years |
| 687,000 | 687,000 | $0.37 | | 3.58 years |

As at November 30, 2022, 687,000 stock options are outstanding with a weighed average exercise price of $0.37 and a weighted average remaining contractual life of 3.58 years.

(Expressed in Canadian Dollars – Unaudited)

**9. SHARE CAPITAL** (continued)

The fair values of the stock options were estimated as at the date of the grant using the Black-Scholes option pricing model, with the following assumptions and resulting fair values:

| | March 30, 2021 | November 1, 2021 |
|---|---|---|
| Risk-free interest rate | 0.94% | 1.60% |
| Expected life of the warrants | 5 years | 5 years |
| Annualized volatility | 125% | 125% |
| Dividend Rate | 0.00% | 0.00% |
| Grant date common share fair value | $0.08 | $0.47 |

For the period ended November 30, 2022, the Company recognized share-based compensation of $104,909 (2021: $390,291) related to stock options granted and vested during the period.

Restricted Share Units ("RSUs")

On June 28, 2021, the Company granted an aggregate of 485,000 restricted share units to a consultant. The RSUs vest as follows: (a) 240,000 six months following the date of grant, and (b) 245,000 twelve months following the date of grant.

On July 6, 2021, the Company granted an aggregate of 435,000 restricted share units to an advisor. The RSUs vest as follows: (a) 215,000 six months following the date of grant, and (b) 220,000 twelve months following the date of grant.

On July 14, 2021, the Company granted an aggregate of 50,000 restricted share units to an advisor. The RSUs vest as follows: (a) 25,000 six months following the date of grant, and (b) 25,000 twelve months following the date of grant.

On August 9, 2021, the Company granted an aggregate of 40,000 restricted share units to an advisor. The RSUs vest as follows: (a) 20,000 six months following the date of grant, and (b) 20,000 twelve months following the date of grant.

The RSUs granted entitle the holder to receive a payout with respect to the vested RSUs within 60 days of vesting. The RSUs were converted to common shares during the quarter. As at and for the period ended May 31, 2022, the Company had recorded a liability of $289,800 on the statement of financial position, and a corresponding share-based compensation expense on the statement of comprehensive loss which represents the fair value of the RSUs based on the market price as of the date of vesting or period-end. This amount was reversed upon conversion of the restricted share units.

(Expressed in Canadian Dollars – Unaudited)

## 10. FINANCIAL INSTRUMENTS AND RISKS

Fair values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at November 30, 2022 and February 28, 2022, as follows:

| | | November 30, 2022 | | |
|---|---|---|---|---|
| | Carrying value $ | Level 1 $ | Level 2 $ | Level 3 $ |
| Cash | 3,810,913 | 3,810,913 | - | - |

| | | February 28, 2022 | | |
|---|---|---|---|---|
| | Carrying value $ | Level 1 $ | Level 2 $ | Level 3 $ |
| Cash | 13,235,203 | 13,235,203 | - | - |

The fair values of other financial instruments, which include accounts receivable, accounts payable, RSU liability, convertible note and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit risk

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure on any outstanding accounts receivable. The carrying amount of financial assets represents the maximum credit exposure.

Currency risk

Currency risk is the risk that changes in foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The Company has minimal financial assets and liabilities held in foreign currencies.

Interest rate risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
(ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. The Company's amounts due to related parties are non-interest bearing.

## 10. FINANCIAL INSTRUMENTS AND RISKS (continued)

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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

## 11. CONVERTIBLE NOTES

On October 23, 2019, Poda issued convertible debenture for gross proceeds of up to $550,000. The debenture bears interest at 12% and is secured against the personal property of Poda. In the event that Poda earns a profit during any fiscal quarter, the debenture holders shall have the option to require Poda to prepay a portion of the principal amount and accrued interest amount and in an amount equal to up to 20% of the amount of profit for such quarter. At any time prior to the maturity date of the convertible debenture, the debenture holders have the option to convert any portion of the outstanding principal amount and accrued interest amount at the lower conversion rate of: i) 1 common share of Poda for $0.05 of the principal amount plus accrued interest amount remaining due or ii) 20% discount to the price per share for the most recent financing. On the maturity date, the balance of the principal amount shall automatically be converted into shares of Poda at the lower conversion rate of i) 1 common share of Poda for $0.05 of the principal amount remaining due or ii) 20% discount to the most recent financing prior to the maturity date. The debenture matures thirty-six (36) months from the date of closing of the financing on October 23, 2019 and is payable on demand after maturity. As at November 30, 2022, the Company had received an aggregate principal amount of $550,000 (2021 - $550,000) and converted the remaining $429,507 outstanding balance to common shares (Note 9), eliminating in full the outstanding principal and interest balance.

On December 9, 2020, the Company issued an unsecured convertible debenture for gross proceeds of $187,500. The debenture bears interest at 1% and matures thirty-six (36) months from the date of closing of the financing on December 9, 2020 and is payable on demand after maturity. At any time prior to the maturity date of the convertible debenture, the debenture holder has the option to convert any portion of the outstanding principal amount and accrued interest amount at the lower conversion rate of 1 common share of the Company for $0.025 of the principal amount plus accrued interest amount remaining due. The holders were issued an aggregate of 7,500,000 Common Share purchase warrants with an exercise price of $0.10 for every common share issued expiring three years from date of issuance. As at November 30, 2022, the Company had converted the $175,000 outstanding balance to common shares (Note 9), eliminating in full the outstanding principal and interest balance.

## 12. LOANS PAYABLE

(i) On August 15, 2020, the Company received a loan from the Canadian government's Canada Emergency Business Account ("CEBA") Program in the amount of $40,000. On December 15, 2020, the Company received an additional CEBA Loan in the amount of $20,000 under the CEBA Loan expansion programs.

The CEBA is a government guaranteed loan that is interest-free and partially forgivable if paid on or before December 31, 2023. If repaid on or before December 31, 2023, it would result in a loan forgiveness of up to 33 percent. The loan is available to help businesses with operating costs during COVID-19. The Company paid back $40,000 of the CEBA Loan in February 2022 and as a result, $20,000 was forgiven.

## 13. CAPITAL MANAGEMENT

The Company manages its capital to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of all components of shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities, as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the period ended November 30, 2022.

## 14. ACQUISTION OF MANUFACTURING EQUIPMENT AND IP

During March 2022, the Company signed a purchase agreement with its Chinese manufacturing partner to acquire Poda Pod manufacturing equipment, 15 patent applications related to Poda Pod technology, and three Chinese trademarks for approximately CDN $3.67M payable in cash.

The manufacturing equipment is comprised of all proprietary custom-built equipment for Poda Pods production capable of producing an estimated 5 million Poda Pods per annum. All manufacturing equipment will be shipped to Vancouver, BC. The 15 patent applications were filed in China and represent unique product design and manufacturing methods applicable to the development and large-scale production of Poda Pods.

This manufacturing equipment was sold as part of the sale described in Note 15.

## 15. PAYMENT OF SPECIAL DIVIDEND AND RETURN OF CAPITAL

On June 24, 2022, the Company, together with two directors of the Company who own certain patents (the "Owners"), completed the sale of substantially all assets and properties used in the Company's business of developing, manufacturing and marketing multi-substrate heated capsule technology, including, without limitation, the Owners' patents related to such technology and the Company's exclusive, perpetual license of certain of those patents pursuant to an amended and restated royalties agreement dated April 12, 2019 (the "Royalties Agreement"), for total consideration of US$100.5 million, subject to certain adjustments and holdbacks. US$55.28 million of the total consideration was allocated to the Company. The Company has recorded an estimated tax expense of CDN$3.296 million for this sale.

On July 26, 2022, the Company's Board of Directors declared the payment of a special dividend, and approved the return of capital, on its Subordinate Voting Shares ("**SVS**") and Multiple Voting Shares ("**MVS**") together amounting to a distribution of CDN$0.41 per SVS, and CDN$0.41 per MVS on an as-converted to SVS basis (the "**Distribution**"). The Distribution was paid during the month of August 2022 to holders of record of SVS and MVS on August 3, 2022 (the "**Record Date**").

The Distribution was an aggregate amount of approximately CDN$68.2 million and was comprised of a return of capital of approximately CDN$28 million and dividends of approximately CDN$40.2 million. The Shareholders received CAD$0.41 per each SVS held, being $0.215 in connection with the return of capital, and $0.195 in connection with the dividend payment and CAD$410 per each MVS held, being $56.00 in connection with the return of capital, and $354.00 in connection with the dividend payment.

Pro Forma Consolidated Statement of Financial Position of:

# Generative AI Solutions Corp.

November 30, 2022

(Expressed in Canadian dollars)

(Unaudited)

**Generative AI Solutions Corp.**
**Pro Forma Consolidated Statements of Financial Position**
**As at November 30, 2022**
(Expressed in Canadian Dollars)
(Unaudited)

| | Generative AI Solutions Corp. | Ultron Capital Corp. | Notes | Pro Forma Adjustments | Pro Forma Consolidated November 30, 2022 |
|---|---|---|---|---|---|
| | $ | $ | | $ | $ |
| **ASSETS** | | | | | |
| **Current** | | | | | |
| Cash | 3,810,913 | 444,885 | 2a | 1,236,250 | 5,492,048 |
| GST and taxes recoverable | 2,296 | - | | | 2,296 |
| Prepaid consulting fee | - | 346,356 | | | 346,356 |
| Prepaid expenses and deposits | 32,856 | 5,000 | | | 37,856 |
| Total current assets | 3,846,065 | 796,241 | | | 5,878,556 |
| Intangible Assets | 1 | 150,000 | | | 150,001 |
| **Total assets** | 3,846,066 | 946,241 | | | 6,028,557 |
| **LIABILITIES** | | | | | |
| **Current** | | | | | |
| Accounts payable and accrued liabilities | 18,436 | 17,209 | | | 35,645 |
| Due to related party | - | 11,875 | | | 11,875 |
| Payable for acquisition of intangible asset | - | 150,000 | | | 150,000 |
| Current tax liability | 3,296,859 | - | | | 3,296,859 |
| | 3,315,295 | 179,084 | | | 3,494,379 |
| **Convertible promissory note** | - | 226,912 | | | 226,912 |
| Total liabilities | 3,315,295 | 405,996 | | | 3,721,291 |
| **EQUITY** | | | | | |
| Share capital | 695,480 | 428,010 | | | 2,996,110 |
| | | | 2a | 1,236,250 | |
| | | | 2c | (695,480) | |
| | | | 2d | 1,331,850 | |
| Contributed surplus | 4,209,962 | - | 2c | (4,209,962) | 546,188 |
| | | | 2e | 546,188 | |
| Special warrants | - | 10,000 | | | 10,000 |
| (Deficit) | (4,374,671) | 14,035 | | | (1,333,232) |
| | | | 2c | 4,374,671 | |
| | | | 2d | (801,079) | |
| | | | 2e | (546,188) | |
| Convertible promissory note reserve | - | 88,200 | | | 88,200 |
| Total shareholders' equity | 530,771 | 540,245 | | | 2,307,266 |
| Total liabilities and shareholders' equity | 3,846,066 | 946,241 | | | 6,028,557 |

**Generative AI Solutions Corp.**
**Pro Forma Consolidated Statement of Comprehensive Loss**
**For The Nine Months Ended November 30, 2022**
(Expressed in Canadian Dollars)
(Unaudited)

| | Generative AI Solutions Corp. | Ultron Capital Corp. | Notes | Pro Forma Adjustments | Pro Forma Consolidated November 30, 2022 |
|---|---|---|---|---|---|
| | $ | $ | | $ | $ |
| **EXPENSES** | | | | | |
| Advertising and promotion | 340,486 | - | | | 340,486 |
| Accretion and interest expense | 15,484 | - | | | 15,484 |
| Management fees | - | - | | | - |
| Office and miscellaneous | 397,559 | - | | | 397,559 |
| Professional fees | 10,227,509 | 6,000 | | | 10,233,509 |
| Research and development | 127,820 | - | | | 127,820 |
| Listing expense | | | 2e | 34,137 | 34,137 |
| Share-based compensation | 104,909 | - | | | 104,909 |
| Wages | 994,310 | - | | | 994,310 |
| Travel and entertainment | 23,422 | - | | | 23,422 |
| Total Expenses | (12,231,499) | (6,000) | | | (12,271,636) |
| | | | | | |
| Gain on acquisition | - | 21,245 | | | 21,245 |
| Other income | 100,119 | - | | | 100,119 |
| Foreign exchange gain (loss) | (199,826) | - | | | (199,826) |
| Forgiveness of government loan | 20,000 | - | | | 20,000 |
| Current tax expense | (3,296,859) | - | | | (3,296,859) |
| Disposal of assets | 67,817,449 | - | | | 67,817,449 |
| Net and comprehensive gain (loss) for the period | 52,209,384 | 15,245 | | | 52,169,247 |
| | | | | | |
| Weighted average number of common shares outstanding | | | | | 56,725,374 |
| Diluted weighted average number of common shares outstanding | | | | | 61,911,285 |
| | | | | | |
| Earnings per share basic | | | | | 0.92 |
| Earnings per share diluted | | | | | 0.84 |

**Generative AI Solutions Corp.**
**Pro Forma Consolidated Statement of Comprehensive Loss**
**For The Year Ended February 28, 2022**
(Expressed in Canadian Dollars)
(Unaudited)

| | Generative AI Solutions Corp. | Ultron Capital Corp. | R&R&D Solutions Inc. | Notes | Pro Forma Adjustments | Pro Forma Consolidated February 28, 2022 |
|---|---|---|---|---|---|---|
| | $ | $ | $ | | $ | $ |
| **EXPENSES** | | | | | | |
| Accretion and interest expense | 68,800 | - | - | | | 68,800 |
| Advertising and promotion | 2,325,937 | - | - | | | 2,325,937 |
| Bank services charges | 7,399 | - | - | | | 7,399 |
| Legal fees | 710,836 | - | - | | | 710,836 |
| Listing expense | 4,048,732 | - | - | | | 4,048,732 |
| Management fees | 2,070,070 | - | - | | | 2,070,070 |
| Meals and entertainment | 17,729 | - | - | | | 17,729 |
| Office and miscellaneous | 88,892 | - | - | | | 88,892 |
| Professional fees | 133,259 | 5,000 | 1,210 | | | 139,469 |
| Research and development | 383,545 | - | - | | | 383,545 |
| Rent | 31,650 | - | - | | | 31,650 |
| Share-based compensation | 447,648 | - | - | | | 1,760,778 |
| | | | | 2d | 801,079 | |
| | | | | 2e | 512,051 | |
| Travel and entertainment | 68,822 | - | - | | | 68,822 |
| Transfer agent | 137,018 | - | - | | | 137,018 |
| Wages | 373,681 | - | - | | | 373,681 |
| | (10,914,018) | (5,000) | (1,210) | | | (12,233,358) |
| | | | | | | 0 |
| Other income (expenses) | (368,769) | - | - | | | (368,769) |
| Foreign exchange gain | 215,577 | - | - | | | 215,577 |
| Forgiveness of government loan | 20,000 | - | - | | | 20,000 |
| Net and comprehensive loss for the period | (11,047,210) | (5,000) | (1,210) | | | (12,366,550) |
| | | | | | | |
| Weighted average number of common shares outstanding | | | | | | 56,725,374 |
| Diluted weighted average number of common shares outstanding | | | | | | 61,911,285 |
| | | | | | | |
| Loss per share basic | | | | | | (0.22) |
| Loss per share diluted | | | | | | (0.20) |

## 1. Background and basis of presentation Background

Idle Lifestyle, Inc. (the “Company”) completed a sale of substantially all assets used in its former business and declared a dividend to its shareholders in 2022. Since the sale of its assets, the Company sought a new business operation.

The Company and Ultron Capital Corp. (“Ultron”) have entered into an agreement whereby the Company will acquire all of the issued and outstanding shares of Ultron (the “Ultron RTO”). On February 13, 2023, the Company completed a 30:1 consolidation of its subordinate voting shares (“SV Shares”) and multiple voting shares (“MV Shares”). Concurrent with the close of the Ultron RTO, the company will convert all MV shares to SV shares at a ratio of 1000:1 and create a new class of common shares. Ultron shareholders will receive the new common shares of the Company a 1:1 basis. The total consideration for the Ultron RTO will consist of 51,176,001 new common shares of the Company issued to the former shareholders of Ultron on closing. The acquisition of Ultron by the Company is considered a reverse takeover for accounting purposes, with Ultron identified as the acquirer.

On January 30, 2023, Ultron entered into an agreement with the shareholders of R&R&D Solutions Inc. (“RRD”) to acquire 100% of the common shares of RRD (the “RRD RTO”, together with the Ultron RTO, the “Transactions”). The total consideration for the RRD RTO consisted of 42,801,000 common shares in the capital of Ultron issued to the former shareholders of RRD on closing. The acquisition of RRD by Ultron is considered a reverse takeover for accounting purposes, with RRD identified as the acquirer.

Upon completion of the Transactions, the legal structure of the Company will include RRD as a wholly owned subsidiary of a new amalgamated entity which is a wholly owned subsidiary of Idle Lifestyle, Inc.

### Basis of preparation

These unaudited pro forma consolidated statement of financial position of the Company as at November 30, 2022, and the statements of loss and comprehensive loss for the year ended February 28, 2022 and the nine months ended November 30, 2022 for the Company (the “Pro Forma Financial Statements”), has been prepared by management based on historical financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), for illustrative purposes only, after giving effect to the proposed transaction between the Company, Ultron and RRD on the basis of the assumptions an adjustments described in the accompanying notes.

The Pro Forma Financial Statements are not necessarily indicative of the financial position that may be obtained upon completion of the transactions described in the accompanying notes. The pro forma adjustments and allocations of the purchase price of the transactions are based in part on estimates of the fair value of the assets acquired and liabilities assumed. The final purchase price allocation will be completed will be based on the actual assets and liabilities that exist as of the date of completion of the transactions.

Ultron and RRD have a fiscal year end of January 31 which differs from the Company’s year end of February 28. The financial statements of Ultron and RRD used to prepare the Pro Forma Financial Statements were prepared for the purpose of the Pro Forma Financial Statements and may not conform with the financial statements for the business included elsewhere in the listing application.

The unaudited pro forma consolidated statement of financial position has been derived from:

- the unaudited consolidated interim statement of financial position for the Company as at November 30, 2022;
- the audited consolidated statement of financial position of Ultron as at January 31, 2023.

The unaudited pro forma consolidated statement of comprehensive loss for the nine months ended November 30, 2022 has been derived from:

- the unaudited consolidated statement of comprehensive gain for the Company for the nine months ended November 30, 2022;
- the audited consolidated statement of loss and comprehensive loss for the year ended January 31, 2023.

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

The unaudited pro forma consolidated statement of comprehensive loss for the year ended February 28, 2022 has been derived from:

- the audited consolidated statement of comprehensive loss for the Company for the thirteen months ended February 28, 2022;
- the audited annual statement of loss and comprehensive loss for Ultron for the year ended January 31, 2022;
- the unaudited statement of loss and comprehensive loss for RRD for the period of incorporation on January 17, 2022 to January 31, 2022.

It is managements opinion that the unaudited Pro Forma Financial Statements include all adjustments necessary for the fair presentation, in all material respects, of the transactions described in the accompanying notes in accordance with IFRS, applied on a basis consistent with the Company's accounting policies, except as otherwise noted. The unaudited Pro Forma Financial statements are not necessarily indicative of the financial position that would have resulted if the combination had actually occurred on November 30, 2022.

The unaudited Pro Forma Financial Statements should be read in conjunction with the historical financial statements and notes thereto of the Company and Ultron included elsewhere in this listing application. Although not reflected specifically in the Pro Forma Financial Statements, a new BC Corporation will be set up as a subsidiary of the Company to amalgamate with Ultron. The creation of this new BC Corporation has no effect on the numbers in these unaudited Pro Forma Financial Statements.

The unaudited Pro Forma Financial Statement has been compiled using the significant accounting policies, as set out in the unaudited consolidated financial statements of the Company as at and for the nine months ended November 30, 2022. Management has determined that no material pro forma adjustments are necessary to conform the Company's accounting policies to the accounting policies used by Ultron and RRD.

## 2. Pro Forma Adjustments and Assumptions

The unaudited Pro Forma Financial Statement incorporates the following pro forma assumptions and adjustments:

a) Ultron completed private placements raising gross proceeds of $1,236,250.

b) The Company will complete a 30:1 share consolidation of all existing share classes to form one class. All MV shares will convert into SV shares and a new class of common shares will be created.

c) The acquisition of Ultron and the Company constitutes a reverse asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, Business Combinations. Accordingly, as a result of the transaction, the pro forma financial position has been adjusted for the elimination of the Company's share capital of $695,480, contributed surplus of $4,209,962 and accumulated deficit of $4,374,671 within shareholders' equity.

Pro Forma Adjustments and Assumptions (cont'd)

d) In accordance with reverse acquisition accounting:

i) The assets and liabilities of Ultron are included in the pro forma statement of financial position at their carrying values;

ii) The net assets of the Company are included at their fair value of $530,771 (equal to the carrying value of these net assets given the current nature of the net assets);

iii) The net assets have been allocated as follows:

| As at | November 30, 2022 |
|---|---|
| | $ |
| Cash | 3,810,913 |
| GST and taxes recoverable | 2,296 |
| Prepaid expenses and deposits | 32,856 |
| Intangible Assets | 1 |
| Accounts payable and accrued liabilities | (18,436) |
| Current tax liability | (3,296,859) |
| Net Assets | 530,771 |

iv) The stock based compensation expense was determined as follows:

- Number of outstanding shares of Ultron prior to the Ultron RTO was 51,176,001 of the combined entity.
- Number of outstanding shares of the Company prior to the Ultron RTO is determined to be 5,549,373.
- The fair value of the shares considered issued to acquire the Company under reverse takeover accounting is $1,331,850 calculated as 5,549,373 shares at $0.24 per share.
- As at November 30, 2022, the difference between the fair value of $1,331,850 attributed to the Company and the estimated fair value of the net assets of the Company of $530,771 amounts to a stock based compensation expense of $801,079.

e) An increase in both the stock based compensation expense and contributed surplus of the Company to represent the 4,750,000 stock options issued prior to closing the Transactions. These options were valued using the Black-Scholes Option Pricing Model using an exercise price of $0.15, volatility of 150%, risk free rate of 1.64%, expected life of 5 years and dividend yield of 0%, vesting over two years.

**2. Pro Forma Additional Detail**

Pro forma share capital

| | # outstanding* | Amount |
|---|---|---|
| The Company's common shares outstanding | 5,549,373 | 695,480 |
| RRD's common shares outstanding - November 30, 2022 (Post consolidation) | 42,801,000 | 428,010 |
| Ultron financing | 8,375,001 | 1,236,250 |
| RTO Adjustment (2c) | - | (695,480) |
| RTO Adjustment (2d) | - | 1,331,850 |
| | 56,725,374 | 2,996,110 |

| Pro forma warrants | # outstanding* | Exercise price* |
|---|---|---|
| Warrants issued and outstanding in the Company | 413,011 | $ 46.50 |

| Pro forma stock options | # outstanding* | Exercise price* |
|---|---|---|
| Stock options issued and outstanding in the Company | 22,900 | $ 1.20 |
| Stock options issued pursuant to the Transactions | 4,750,000 | $ 0.15 |
| | 4,772,900 | |

*assumes post consolidation 30:1 and
conversion of MV Shares to SV Shares.

## APPENDIX "B"
## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY

(See attached)

## INTRODUCTION

The following is management's discussion and analysis ("MD&A") of the results of operations and financial condition of Idle Lifestyle, Inc. (formerly Poda Holdings, Inc, or the "Company") and should be read in conjunction with the accompanying condensed interim financial statements for the nine months ended November 30, 2022, and related notes therein.

All financial information in this MD&A for the nine months ended November 30, 2022, has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting.

The effective date of this MD&A is January 20, 2023.

## MANAGEMENT'S RESPONSIBILITY

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are responsible to ensure that this MD&A and related filings do not contain any untrue statements of material fact, or omit to state a material fact required to be stated, or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by this MD&A and related filings. The Board of Directors approved the MD&A, together with the condensed interim financial statements for the nine months ended November 30, 2022 and ensure that management has discharged its financial responsibilities.

## FORWARD-LOOKING INFORMATION AND CAUTIONARY RISKS NOTICE

Certain statements contained in the following MD&A constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "plans", "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors.

For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include: uncertainties involved in disputes and litigation; fluctuations in commodity prices and currency exchange rates; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and economic return; the need for cooperation of government agencies; the need to obtain additional financing and uncertainty as to the availability and terms of future financing; uncertainty related to the completion of a transaction or amalgamation.

It is the Company's policy that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are as of November 30, 2022, and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning our expectations regarding the ability to raise additional funds and complete a transaction or amalgamation.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and factors including: the possibility that opportunities will arise that require more cash than the Company has or can reasonably obtain; dependence on key personnel; dependence on corporate collaborations; potential delays; uncertainties related to early stage of technology and product development; uncertainties as to fluctuation of the stock market; uncertainties as to future expense levels and the possibility of unanticipated costs or expenses or cost overruns; and other risks and uncertainties which may not be described herein. The Company has no policy for updating forward-looking information beyond the procedures required under applicable securities laws.

**COMPANY OVERVIEW**

Idle Lifestyle, Inc. (formerly Poda Holdings, Inc, or the "Company") was incorporated in the Province of British Columbia on July 6, 2018, under the Business Corporations Act of British Columbia ("BCBCA") under the name Gamora Capital Corp. On March 11, 2021, the Company changed its name to PODA Lifestyle & Wellness Ltd. On September 27, 2021, the Company changed its name to PODA Holdings, Inc. On June 24, 2022, the Company changed its name to Idle Lifestyle, Inc. The Company's principal business activity is the design, development and production of a new and improved heat-not-burn technology for the consumption of tobacco and other materials.

The Company's head office is located at 666 Burrard St, Vancouver, BC V6C 2Z7.

The accompanying consolidated interim financial statements comprise the financial statements of the Company. On March 1, 2022, the Company completed an amalgamation with Poda Technologies Ltd. ("Poda") under the name of the Company.

The Company and Poda Technologies Ltd. ("Poda") entered into an Arrangement Agreement (Note 8) on February 8, 2021, pursuant to which the Company, by way of a court approved plan of arrangement under the provisions of Division 5 of Part 9 of the BCBCA acquired all of the issued and outstanding common and preferred shares of Poda in exchange for Preferred Shares to be issued as consideration pursuant to the Plan of Arrangement (the "Arrangement").

The Arrangement resulted in the shareholders of Poda acquiring control of the Company (the "Transaction"). The Transaction has been accounted for as a reverse take-over ("RTO"). Therefore, the Transaction, has been accounted for as an acquisition of the Company by Poda. As the Company does not meet the definition of a business as defined by International Financial Reporting Standards ("IFRS") 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2.

The Company's subordinate voting shares were approved for listing on the Canadian Securities Exchange and commenced trading at market open on May 4, 2021, under the symbol '**PODA**'. In January 2022, the Company began trading on the OTCQB exchange. Through the OTCQB listing, United States investors may more easily trade PODAF stock, in addition to Poda's listing on the CSE [PODA] in Canada and the FSE [99L] in Germany.

Pursuant to the Asset Purchase Agreement described below, PODA chanted its name to Idle Lifestyle Inc. and its trading symbol to **IDLE** on the CSE and **IDLSF** on the OTCQB exchange. The Company expects to trade as an inactive issuer under the policies of the Canadian Stock Exchange.

Poda is a heat-not-burn system designed to provide consumers with a convenient and effective method for the inhalation of aerosols generated from the heating of tobacco and other substances. The Poda design involves two main components: the heating device and the consumable stick (or Pod). The heating device is designed to heat the contents of the Pods to the desired temperature in order to aerosolize substances contained within the Pod contents. The Pods are designed with an innovative and novel airflow path, which completely isolates the substance to be heated inside each Pod (and any aerosols produced) from the heating device. The Pods are designed to be low-cost and disposable (compostable options are available) and are primarily intended to be sold pre-filled. The intended use case for consumers is that they purchase a pack of Poda Pods (much like a pack of cigarettes) and then insert one of the Pods into the heating device, which then heats the substance in the Pod to the desired temperature and maintains that temperature for 5 minutes or until the aerosol-generating substance has been consumed by the user. The Pod can then be removed from the heating device and be disposed of. Due to the isolated airflow inside the Pod, the heating process can be repeated again and again without any deterioration of the heating device due to contamination from the substances and / or aerosols contained within each Pod.

## BUSINESS DEVELOPMENTS

On March 11, 2022, the Company announced that it has signed a purchase agreement with its Chinese manufacturing partner to acquire Poda Pod manufacturing equipment, 15 patent applications related to Poda Pod technology, and three Chinese trademarks for approximately CDN $3.45M payable in cash.

The manufacturing equipment is comprised of all proprietary custom-built equipment for Poda Pods production capable of producing an estimated 5 million Poda Pods per annum. All manufacturing equipment was shipped to Vancouver, BC. The 15 patent applications were filed in China and represent unique product design and manufacturing methods applicable to the development and large-scale production of Poda Pods.

On May 13, 2022, the Company announced that, together with Ryan Selby and Ryan Karkairan (the "Owners"), it has entered into a definitive agreement dated May 13, 2022 (the "Asset Purchase Agreement") with a subsidiary of Altria Group, Inc. ("Altria") (NYSE:MO), Altria Client Services LLC ("ALCS"), pursuant to which the Company and the Owners have each agreed to sell to ALCS substantially all of the assets and properties used in the Company's business (the "Purchased Assets") of developing, manufacturing and marketing multi-substrate heated capsule technology, including, without limitation, the Owners' patents related to such technology and the Company's exclusive, perpetual license of certain of those patents pursuant to an amended and restated royalties agreement dated April 12, 2019 (the "Royalties Agreement"), for a total purchase price of US$100.5 million ("Purchase Price"), subject to certain adjustments and holdbacks (the "Transaction"). The Company carries on its business pursuant to the Royalties Agreement and the Company and the Owners have agreed to allocate US$55,275,000 of the Purchase Price to the Company (being 55% of the Purchase Price), with the balance to the Owners. This sale was completed on June 24, 2022.

On July 26, 2022, the Company's Board of Directors declared the payment of a special dividend, and approved the return of capital, on its Subordinate Voting Shares ("**SVS**") and Multiple Voting Shares ("**MVS**") together amounting to a distribution of CDN$0.41 per SVS, and CDN$0.41 per MVS on an as converted to SVS basis (the "**Distribution**"). The Distribution was paid during the month of August 2022 to holders of record of SVS and MVS on August 3, 2022 (the "**Record Date**").

The Distribution was an aggregate amount of approximately CDN$68.2 million and was comprised of a return of capital of approximately CDN$28 million and dividends of approximately CDN$40.2 million. The Shareholders will receive CAD$0.41 per each SVS held, being $0.215 in connection with the return of capital, and $0.195 in connection with the dividend payment and CAD$410 per each MVS held, being $56.00 in connection with the return of capital, and $354.00 in connection with the dividend payment.

As a result of the completion of the Transaction, the Company no longer has any material property or assets other than cash which the Company expects to retain to explore new business opportunities for the economic benefit of its Shareholders.

## CASH USED IN OPERATING ACTIVITIES

For the nine months ended November 30, 2022, cash flows provided by operating activities amounted to $55,355,899. Driven by the sale of the Company's assets and intellectual property, cash flows resulted from a net income of $52,209,384, changes in non-cash items of $3,401,768 and changes in working capital balances of $255,253. In the comparative period, cash flows used by operating activities amounted to $6,733,629. Cash flows resulted from a net loss of $5,918,598, changes in non-cash items of $395,406 and changes in working capital balances of $1,210,437.

## CASH USED IN INVESTING ACTIVITIES

For the nine months ended November 30, 2022, and 2021, cash flows used in investing amounted to Nil.

## CASH PROVIDED BY FINANCING ACTIVITIES

For the nine months ended November 30, 2022, cash flows used by financing activities amounted to $64,780,189. Cash distributions were comprised of a return of capital of approximately CDN$28 million and dividends of approximately CDN$40.2 million, while cash inflows were from the from the exercise of warrants of $2,311,242 and proceeds from the exercise of stock options of $876,089. In the comparative period, cash flows provided by financing activities amounted to $21,127,635 which was driven by proceeds from the issuance of common stock of $23,308,741.

## THIRD QUARTER RESULTS OF OPERATIONS

During the nine months ended November 30, 2022, the Company recorded a net and comprehensive gain of $52,209,384 (2021: loss of $5,918,598).

The drivers of the increase on a year over year were as follows:

- Sale of company assets and intellectual property of $67,817,449 (2021: $0).
- The sale of assets was partly offset by professional fees of $10,227,509 (2021: $470,324), which includes legal, accounting and consulting fees incurred in connection with the definitive agreement with Altria Client Services, LLC., along with a current tax expense accrual of $3,296,859 (2021: $0).

## SELECTED ANNUAL INFORMATION

The below table provides a summary of selected annual financial data, prepared in accordance with IFRS.

| | **Nov 30, 2022**<br>**$** | **August 31, 2022**<br>**$** | **May 31, 2022**<br>**$** | **February 28, 2022**<br>**$** |
|---|---|---|---|---|
| Revenue | - | - | - | - |
| Assets | 3,846,066 | 4,901,052 | 14,146,380 | 13,911,651 |
| Non-current liabilities | - | - | - | 604,507 |
| Net and comprehensive gain (loss) | (287,138) | 54,870,603 | (2,374,081) | (11,047,210) |
| Basic and diluted gain (loss) per common share | (0.00) | 0.75 | (0.04) | (0.21) |

## SELECTED QUARTERLY INFORMATION FOR MOST RECENT COMPLETED QUARTERS

| | November 30, 2022 | August 31, 2022 | May 31, 2022 | February 28, 2022 |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Total revenue | - | - | - | - |
| Net income (loss) | (287,138) | 54,870,603 | (2,374,081) | (4,995,420) |
| Basic and diluted gain (loss) per share | (0.00) | 0.75 | (0.04) | (0.21) |

| | November 30, 2021 | August 31, 2021 | May 31, 2021 | February 28, 2021 |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Total revenue | - | - | - | - |
| Net loss | (1,877,438) | (3,020,137) | (1,021,023) | (24,555) |
| Basic and diluted loss per share | (0.05) | (0.12) | (0.07) | (0.00) |

## RELATED PARTY TRANSACTIONS

All related party transactions have occurred in the normal course of operations. Related party transactions occur and are recorded at the amounts agreed between the parties.

Poda had amounts payable to Invictus MD Strategies Corp. ("Invictus") of $2,086,106. Concurrent with the Transaction, Poda completed an assignment agreement (Note 8) with the Company. Pursuant to the Assignment Agreement, Poda assigned $2,086,106 amounts payable to the Company. The Company issued 20,862 preferred shares to settle the amounts payable of $2,086,106. Each preferred share entitles the holder to a restricted right to convert one preferred share into 1,000 common shares upon certain events or automatically on the following terms: [i] 10% after 12 months from the Effective Date of the Arrangement and [ii] 15% every 3 months thereafter.

On April 12, 2019, the Company acquired the rights to additional vaporizer-related intellectual property from the original founders of the Company (the "Inventors") on the terms and conditions set forth in an amended and restated royalties' agreement (the "Amended Agreement"). The Inventors and the Company previously entered into a royalties agreement dated April 19, 2015 (the "Original Agreement"), pursuant to which the Company agreed to pay royalties to the Inventors in the amount of 3% of the Company's gross revenues in relation to the commercialization of certain inventions (the "Original Inventions"). Since that time, the Inventors have developed certain additional vaporizer-related inventions (the "New Inventions") and in accordance with the terms and conditions of the Amended Agreement, the Company is granted a royalty-bearing exclusive license to commercialize, use, and sublicense the Original Inventions and the New Inventions. In exchange for the additional rights granted to the Company under the Amended Agreement, the Company has assigned the ownership of certain patents back to the Inventors and the royalty payable by the Company has been increased from 3% to 4.5%. The fair value of the patents assigned back to the Inventors was $146,583.

### Key management compensation

Key management is comprised of the Company's directors and executive officers. The Company incurred the following key management compensation during the periods ended November 30, 2022 and November 30, 2021:

| | **2022** | 2021 |
|---|---|---|
| | **$** | $ |
| Consulting and management fees | **3,232,983** | 785,711 |
| Share-based compensation | **-** | 10,131 |
| | **3,232,983** | 795,841 |

## OUTSTANDING SHARE DATA

Authorized Share Capital

The Company has an unlimited number of common shares and preferred shares without par value authorized for issuance.

Share Transactions

The Company issued the following shares during the period ended November 30, 2022:

(i) Pursuant to the Transaction described in Note 8, the Company issued 32,759,696 common shares of the Company after the conversion of 32,760 preferred shares to the former Poda Shareholders.

(ii) Certain holders of convertible notes converted their convertible notes and interest accrued to date totaling $604,507 into 15,590,140 common shares of the Company.

(iii) The Company issued 25,750,000 and 4,478,044 common shares for gross proceeds of $2,311,242 and $938,089 pursuant to the exercise of share purchase warrants and stock options, respectively.

(iv) The Company issued 1,010,000 common shares pursuant to conversion of restricted share units with a fair value of $289,800.

Warrants

Movements in the number of warrants outstanding and their related weighted average exercise prices are as follows:

| | Number of warrants | Weighted average exercise price $ |
|---|---|---|
| Outstanding, February 28, 2021 | - | - |
| Deemed granted upon reverse take-over | 27,000,000 | 0.10 |
| Granted | 12,390,321 | 1.88 |
| Exercised | (1,250,000) | (0.10) |
| Outstanding, February 28, 2022 | 38,140,321 | 0.70 |
| Exercised | (25,750,000) | (0.10) |
| Outstanding, November 30, 2022 | 12,390,321 | 1.55 |

Warrants outstanding and exercisable as at November 30, 2022 are as follows:

| Number of Warrants | | | | |
|---|---|---|---|---|
| Outstanding | Exercisable | Exercise Price | Expiry Date | Contractual Life of Warrants Remaining |
| 1,250,000 | 1,250,000 | $0.10 | December 9, 2023 | 1.02 years |
| 3,640,321 | 3,640,321 | $1.00 | June 24, 2023 | 0.56 years |
| 7,500,000 | 7,500,000 | $2.50 | August 4, 2024 | 1.68 years |
| 12,390,321 | 12,390,321 | $1.55 | | 1.29 years |

As at November 30, 2022, 12,390,321 warrants are outstanding with a weighed average exercise price of $1.55 and a weighted average remaining contractual life of 1.29 years.

**Stock option plan**

The Company has adopted a rolling incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to Directors, officers, employees or consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 15% of the issued and outstanding common shares of the Company. Options and RSU's granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

| | Number of options | Weighted average exercise price $ |
|---|---|---|
| Outstanding, February 28, 2021 | 4,912,178 | 0.14 |
| Granted | 1,500,000 | 0.22 |
| Exercised | (60,000) | (0.16) |
| Forfeitures and cancellations | (987,134) | (0.18) |
| Outstanding, February 28, 2022 | 5,365,044 | 0.18 |
| Exercised | (4,678,044) | (0.16) |
| Outstanding, November 30, 2022 | 687,000 | 0.04 |

Stock options outstanding and exercisable as at November 30, 2022 are as follows:

| Number of Stock Options | | | | |
|---|---|---|---|---|
| Outstanding | Exercisable | Exercise Price | Expiry Date | Contractual Life of Options Remaining |
| 12,000 | 12,000 | $0.16 | March 15, 2024 | 1.29 years |
| 200,000 | 200,000 | $0.10 | January 15, 2026 | 3.13 years |
| 75,000 | 75,000 | $0.10 | March 30, 2026 | 3.33 years |
| 400,000 | 400,000 | $0.56 | November 1, 2026 | 3.92 years |
| 687,000 | 687,000 | $0.23 | | 3.46 years |

As at November 30, 2022, 687,000 stock options are outstanding with a weighed average exercise price of $0.23 and a weighted average remaining contractual life of 3.46 years.

<u>Restricted Share Units ("RSUs")</u>

On June 28, 2021, the Company granted an aggregate of 485,000 restricted share units to a consultant. The RSUs vest as follows: (a) 240,000 six months following the date of grant, and (b) 245,000 twelve months following the date of grant.

On July 6, 2021, the Company granted an aggregate of 435,000 restricted share units to an advisor. The RSUs vest as follows: (a) 215,000 six months following the date of grant, and (b) 220,000 twelve months following the date of grant.

On July 14, 2021, the Company granted an aggregate of 50,000 restricted share units to an advisor. The RSUs vest as follows: (a) 25,000 six months following the date of grant, and (b) 25,000 twelve months following the date of grant.

On August 9, 2021, the Company granted an aggregate of 40,000 restricted share units to an advisor. The RSUs vest as follows: (a) 20,000 six months following the date of grant, and (b) 20,000 twelve months following the date of grant.

The RSUs granted entitle the holder to receive a payout with respect to the vested RSUs within 60 days of vesting. The RSUs were converted to common shares during the quarter. As at and for the period ended May 31, 2022, the Company had recorded a liability of $289,800 on the statement of financial position, and a corresponding share-based compensation expense on the statement of comprehensive loss which represents the fair value of the RSUs based on the market price as of the date of vesting or period-end. This amount was reversed upon conversion of the restricted share units.

## FINANCIAL INSTRUMENTS AND RISKS

### Fair values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at November 30, 2022 and February 28, 2022, as follows:

| | | November 30, 2022 | | |
|---|---|---|---|---|
| | Carrying value $ | Level 1 $ | Level 2 $ | Level 3 $ |
| Cash | 3,810,913 | 3,810,913 | - | - |

| | | February 28, 2022 | | |
|---|---|---|---|---|
| | Carrying value $ | Level 1 $ | Level 2 $ | Level 3 $ |
| Cash | 13,235,203 | 13,235,203 | - | - |

The fair values of other financial instruments, which include accounts receivable, accounts payable, RSU liability, convertible note and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

### Credit risk

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure on outstanding GST and taxes recoverable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. GST and taxes recoverable consist of GST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

### Currency risk

Currency risk is the risk that changes in foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The Company has minimal financial assets and liabilities held in foreign currencies.

### Interest rate risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
(ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. The Company's amounts due to related parties are non-interest bearing.

**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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

**Capital management**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of all components of shareholders equity.

The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the period ended November 30, 2022.

## OFF-BALANCE SHEET ARRANGEMENTS AND PROPOSED TRANSACTIONS

The Company has no off-balance sheet arrangements or proposed transactions.

## SIGNIFICANT ACCOUNTING POLICIES

The Company follows the accounting policies described in Note 3 the Company's unaudited interim consolidated financial statements for the nine months ended November 30, 2022, with the exception of the new accounting standards adopted in the current year, as described below.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from amounts included in the financial statements. The critical accounting estimates and judgments used by the Company are described in Note 3 of the Company's unaudited interim consolidated financial statements for the nine months ended November 30, 2022.

## ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

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

## RISK FACTORS

This section discusses factors relating to the business of the Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner.

**The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management**

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

**The Company may not be able to manage its growth**

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

**The Company is subject to changes in laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations**

The Company's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of tobacco and other substance, but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations. The Company endeavors to comply with all relevant laws, regulations and guidelines. To the best of the Company's knowledge, the Company is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines as described elsewhere in this MD&A.

**There is no assurance that the Company will turn a profit or generate immediate revenues**

There is no assurance as to whether the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

**If the Company is unable to develop and market new products, it may not be able to keep pace with market developments**

The heat-not-burn industry is in its early stages, and it is likely that the Company and its competitors will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company will need to expend significant amounts of capital in order to successfully develop and generate revenues from new products. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which together with capital expenditures made in the court of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

**If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the heat-not-burn market**

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's CEO, technical experts, management team and sales personnel. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of its employees.

**The size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data**

Because the heat-not-burn industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

**The Company is dependent on access to skilled labor, equipment and parts**

The ability of the Company to compete and grow will be dependent on having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining the required supply of skilled labor, equipment, parts and components. It is also possible that the expansion plans contemplated by the Company may cost more than anticipated, in which circumstance the Company may curtail, or extend timeframes for completing the expansion plans. This could have a material adverse effect on the financial results and operations of the Company.

**The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses or claims against the Company**

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

**The Company will be reliant on information technology systems and may be subject to damaging cyber-attacks**

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.
The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

**The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest**

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time-to-time deal with persons, firms, institutions or Companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In certain circumstances, the Company's reputation could be damaged.

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

**Risks of foreign operations**

The Company's strategy includes exporting its expertise and technologies to foreign countries. Working outside of Canada gives rise to the risk of dealing with business and political systems that are different than what the Company is accustomed to in Canada. The potential risks include expropriation or nationalization; civil insurrection; labor unrest; strikes and other political risks; fluctuations in foreign currency and exchange controls; increases in duties and taxes; and changes in laws and policies governing operations of foreign based companies. Restrictions on repatriation of capital or distributions of earnings could adversely affect the Company in the future.

**Anti-bribery and anti-corruption laws**

The Company is subject to anti-bribery and anti-corruption laws, including the Corruption of Foreign Public Officials Act (Canada) and the U.S. Foreign Corrupt Practices Act. Failure to comply with these laws could subject the Company to, among other things, reputational damage, civil or criminal penalties, other remedial measures and legal expenses which could adversely affect the Company's business, results of operations and financial condition. It may not be possible for the Company to ensure compliance with anti-bribery and anti-corruption laws in every jurisdiction in which its employees, agents, sub-contractors or joint venture partners are located or may be located in the future.

**Market risks for securities**

The market price of common shares, should the Company become listed on a securities exchange, may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control.

**Dividends**

Other than the dividends paid in connection with the Transaction, the Company had not paid any dividends on its issued and outstanding common shares and may not pay dividends in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the board of directors of the Company (the "Board") and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Board may deem relevant. As a result, investors may not receive any return on an investment in the Common Shares unless they sell their common shares of the Company for a price greater than that which such investors paid for them.

**Financing risk**

The Company will be dependent upon the capital markets to raise additional financing in the future. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. These and other factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. The Company may not be able to raise capital on favorable terms or at all, which could have an adverse impact on the Company's operations and the trading price of the common shares, should the Company become listed on a securities exchange. Additionally, future financing may substantially dilute the interests of the Company's shareholders.

## INTRODUCTION

The following is management's discussion and analysis ("MD&A") of the results of operations and financial condition of Idle Lifestyle, Inc. (formerly Poda Holdings, Inc, or the "Company") and should be read in conjunction with the accompanying condensed interim financial statements for the nine months ended November 30, 2022, and related notes therein.

All financial information in this MD&A for the nine months ended November 30, 2022, has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting.

The effective date of this MD&A is February 13, 2023.

## MANAGEMENT'S RESPONSIBILITY

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are responsible to ensure that this MD&A and related filings do not contain any untrue statements of material fact, or omit to state a material fact required to be stated, or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by this MD&A and related filings. The Board of Directors approved the MD&A, together with the condensed interim financial statements for the nine months ended November 30, 2022 and ensure that management has discharged its financial responsibilities.

## FORWARD-LOOKING INFORMATION AND CAUTIONARY RISKS NOTICE

Certain statements contained in the following MD&A constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "plans", "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors.

For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include: uncertainties involved in disputes and litigation; fluctuations in commodity prices and currency exchange rates; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and economic return; the need for cooperation of government agencies; the need to obtain additional financing and uncertainty as to the availability and terms of future financing; uncertainty related to the completion of a transaction or amalgamation.

It is the Company's policy that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are as of November 30, 2022, and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning our expectations regarding the ability to raise additional funds and complete a transaction or amalgamation.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and factors including: the possibility that opportunities will arise that require more cash than the Company has or can reasonably obtain; dependence on key personnel; dependence on corporate collaborations; potential delays; uncertainties related to early stage of technology and product development; uncertainties as to fluctuation of the stock market; uncertainties as to future expense levels and the possibility of unanticipated costs or expenses or cost overruns; and other risks and uncertainties which may not be described herein. The Company has no policy for updating forward-looking information beyond the procedures required under applicable securities laws.

## COMPANY OVERVIEW

Idle Lifestyle, Inc. (formerly Poda Holdings, Inc, or the "Company") was incorporated in the Province of British Columbia on July 6, 2018, under the Business Corporations Act of British Columbia ("BCBCA") under the name Gamora Capital Corp. On March 11, 2021, the Company changed its name to PODA Lifestyle & Wellness Ltd. On September 27, 2021, the Company changed its name to PODA Holdings, Inc. On June 24, 2022, the Company changed its name to Idle Lifestyle, Inc. The Company's principal business activity is the design, development and production of a new and improved heat-not-burn technology for the consumption of tobacco and other materials.

The Company's head office is located at 666 Burrard St, Vancouver, BC V6C 2Z7.

The accompanying consolidated interim financial statements comprise the financial statements of the Company. On March 1, 2022, the Company completed an amalgamation with Poda Technologies Ltd. ("Poda") under the name of the Company.

The Company and Poda Technologies Ltd. ("Poda") entered into an Arrangement Agreement (Note 8) on February 8, 2021, pursuant to which the Company, by way of a court approved plan of arrangement under the provisions of Division 5 of Part 9 of the BCBCA acquired all of the issued and outstanding common and preferred shares of Poda in exchange for Preferred Shares to be issued as consideration pursuant to the Plan of Arrangement (the "Arrangement").

The Arrangement resulted in the shareholders of Poda acquiring control of the Company (the "Transaction"). The Transaction has been accounted for as a reverse take-over ("RTO"). Therefore, the Transaction, has been accounted for as an acquisition of the Company by Poda. As the Company does not meet the definition of a business as defined by International Financial Reporting Standards ("IFRS") 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2.

The Company's subordinate voting shares were approved for listing on the Canadian Securities Exchange and commenced trading at market open on May 4, 2021, under the symbol '**PODA**'. In January 2022, the Company began trading on the OTCQB exchange. Through the OTCQB listing, United States investors may more easily trade PODAF stock, in addition to Poda's listing on the CSE [PODA] in Canada and the FSE [99L] in Germany.

Pursuant to the Asset Purchase Agreement described below, PODA changed its name to Idle Lifestyle Inc. and its trading symbol to **IDLE** on the CSE and **IDLSF** on the OTCQB exchange. The Company expects to trade as an inactive issuer under the policies of the Canadian Stock Exchange.

Poda is a heat-not-burn system designed to provide consumers with a convenient and effective method for the inhalation of aerosols generated from the heating of tobacco and other substances. The Poda design involves two main components: the heating device and the consumable stick (or Pod). The heating device is designed to heat the contents of the Pods to the desired temperature in order to aerosolize substances contained within the Pod contents. The Pods are designed with an innovative and novel airflow path, which completely isolates the substance to be heated inside each Pod (and any aerosols produced) from the heating device. The Pods are designed to be low-cost and disposable (compostable options are available) and are primarily intended to be sold pre-filled. The intended use case for consumers is that they purchase a pack of Poda Pods (much like a pack of cigarettes) and then insert one of the Pods into the heating device, which then heats the substance in the Pod to the desired temperature and maintains that temperature for 5 minutes or until the aerosol-generating substance has been consumed by the user. The Pod can then be removed from the heating device and be disposed of. Due to the isolated airflow inside the Pod, the heating process can be repeated again and again without any deterioration of the heating device due to contamination from the substances and / or aerosols contained within each Pod.

## BUSINESS DEVELOPMENTS

On March 11, 2022, the Company announced that it has signed a purchase agreement with its Chinese manufacturing partner to acquire Poda Pod manufacturing equipment, 15 patent applications related to Poda Pod technology, and three Chinese trademarks for approximately CDN $3.45M payable in cash.

The manufacturing equipment is comprised of all proprietary custom-built equipment for Poda Pods production capable of producing an estimated 5 million Poda Pods per annum. All manufacturing equipment was shipped to Vancouver, BC. The 15 patent applications were filed in China and represent unique product design and manufacturing methods applicable to the development and large-scale production of Poda Pods.

On May 13, 2022, the Company announced that, together with Ryan Selby and Ryan Karkairan (the “Owners”), it has entered into a definitive agreement dated May 13, 2022 (the “Asset Purchase Agreement”) with a subsidiary of Altria Group, Inc. (“Altria”) (NYSE:MO), Altria Client Services LLC (“ALCS”), pursuant to which the Company and the Owners have each agreed to sell to ALCS substantially all of the assets and properties used in the Company’s business (the “Purchased Assets”) of developing, manufacturing and marketing multi-substrate heated capsule technology, including, without limitation, the Owners’ patents related to such technology and the Company’s exclusive, perpetual license of certain of those patents pursuant to an amended and restated royalties agreement dated April 12, 2019 (the “Royalties Agreement”), for a total purchase price of US$100.5 million (“Purchase Price”), subject to certain adjustments and holdbacks (the “Transaction”). The Company carries on its business pursuant to the Royalties Agreement and the Company and the Owners have agreed to allocate US$55,275,000 of the Purchase Price to the Company (being 55% of the Purchase Price), with the balance to the Owners. This sale was completed on June 24, 2022.

On July 26, 2022, the Company’s Board of Directors declared the payment of a special dividend, and approved the return of capital, on its Subordinate Voting Shares (“**SVS**”) and Multiple Voting Shares (“**MVS**”) together amounting to a distribution of CDN$0.41 per SVS, and CDN$0.41 per MVS on an as converted to SVS basis (the “**Distribution**”). The Distribution was paid during the month of August 2022 to holders of record of SVS and MVS on August 3, 2022 (the “**Record Date**”).

The Distribution was an aggregate amount of approximately CDN$68.2 million and was comprised of a return of capital of approximately CDN$28 million and dividends of approximately CDN$40.2 million. The Shareholders will receive CAD$0.41 per each SVS held, being $0.215 in connection with the return of capital, and $0.195 in connection with the dividend payment and CAD$410 per each MVS held, being $56.00 in connection with the return of capital, and $354.00 in connection with the dividend payment.

As a result of the completion of the Transaction, the Company no longer has any material property or assets other than cash which the Company expects to retain to explore new business opportunities for the economic benefit of its Shareholders.

## CASH USED IN OPERATING ACTIVITIES

For the nine months ended November 30, 2022, cash flows used in operating activities amounted to $13,066,057. Cash flows resulted from a net income of $52,209,384, offset by changes in non-cash items of $67,712,540 and changes in working capital balances of $2,437,099. In the comparative period, cash flows used in operating activities amounted to $9,019,735. Cash flows resulted from a net loss of $5,918,598, changes in non-cash items of $395,406 and changes in working capital balances of $3,496,543.

## CASH USED IN INVESTING ACTIVITIES

For the nine months ended November 30, 2022, cash provided by investing activities amounted to $67,817,449 resulting from the proceeds from sale of assets of $71,487,158 which was partially offset by asset purchases totaling $3,669,709. For the nine months ended November 30, 2021, cash flows used in investing amounted to Nil.

## CASH PROVIDED BY FINANCING ACTIVITIES

For the nine months ended November 30, 2022, cash flows used by financing activities amounted to $64,175,682. Cash distributions were comprised of a return of capital of approximately CDN$28 million and dividends of approximately CDN$40.2 million. Cash inflows were from the from the exercise of warrants of $2,311,242, proceeds from the issuance of common stock of $894,307, and proceeds from the exercise of stock options of $876,089. In the comparative period, cash flows provided by financing activities amounted to $23,413,741 which was driven by proceeds from the issuance of common stock of $23,308,741 and proceeds from the exercise of warrants of $105,000.

## THIRD QUARTER RESULTS OF OPERATIONS

During the nine months ended November 30, 2022, the Company recorded a net and comprehensive gain of $52,209,384 (2021: loss of $5,918,598).

The drivers of the increase on a year over year were as follows:

- Sale of company assets and intellectual property of $67,817,449 (2021: $0).
- The Company incurred $994,310 (2021: $0) in wages paid to directors and executive officers for performance bonuses awarded following the transaction completed with Altria.
- The sale of assets was partly offset by professional fees of $10,227,509 (2021: $470,324), which includes legal, accounting and consulting fees incurred in connection with the definitive agreement with Altria Client Services, LLC., along with a current tax expense accrual of $3,296,859 (2021: $0). Professional and management fees include $2,238,673 paid to directors and executive officers (2021: $785,711).

## SELECTED ANNUAL INFORMATION

The below table provides a summary of selected annual financial data, prepared in accordance with IFRS.

| | **Nov 30, 2022**<br>**$** | **August 31, 2022**<br>**$** | **May 31, 2022**<br>**$** | **February 28, 2022**<br>**$** |
|---|---|---|---|---|
| Revenue | - | - | - | - |
| Assets | 3,846,066 | 4,901,052 | 14,146,380 | 13,911,651 |
| Non-current liabilities | - | - | - | 604,507 |
| Net and comprehensive gain (loss) | (287,138) | 54,870,603 | (2,374,081) | (11,047,210) |
| Basic and diluted gain (loss) per common share | (0.00) | 0.75 | (0.04) | (0.21) |

## SELECTED QUARTERLY INFORMATION FOR MOST RECENT COMPLETED QUARTERS

| | November 30, 2022 | August 31, 2022 | May 31, 2022 | February 28, 2022 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Total revenue | - | - | - | - |
| Net income (loss) | (287,138) | 54,870,603 | (2,374,081) | (4,995,420) |
| Basic and diluted gain (loss) per share | (0.00) | 0.75 | (0.04) | (0.21) |

| | November 30, 2021 | August 31, 2021 | May 31, 2021 | February 28, 2021 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Total revenue | - | - | - | - |
| Net loss | (1,877,438) | (3,020,137) | (1,021,023) | (24,555) |
| Basic and diluted loss per share | (0.05) | (0.12) | (0.07) | (0.00) |

## RELATED PARTY TRANSACTIONS

All related party transactions have occurred in the normal course of operations. Related party transactions occur and are recorded at the amounts agreed between the parties.

Poda had amounts payable to Invictus MD Strategies Corp. ("Invictus") of $2,086,106. Concurrent with the Transaction, Poda completed an assignment agreement (Note 8) with the Company. Pursuant to the Assignment Agreement, Poda assigned $2,086,106 amounts payable to the Company. The Company issued 20,862 preferred shares to settle the amounts payable of $2,086,106. Each preferred share entitles the holder to a restricted right to convert one preferred share into 1,000 common shares upon certain events or automatically on the following terms: [i] 10% after 12 months from the Effective Date of the Arrangement and [ii] 15% every 3 months thereafter.

On April 12, 2019, the Company acquired the rights to additional vaporizer-related intellectual property from the original founders of the Company (the "Inventors") on the terms and conditions set forth in an amended and restated royalties' agreement (the "Amended Agreement"). The Inventors and the Company previously entered into a royalty agreement dated April 19, 2015 (the "Original Agreement"), pursuant to which the Company agreed to pay royalties to the Inventors in the amount of 3% of the Company's gross revenues in relation to the commercialization of certain inventions (the "Original Inventions"). Since that time, the Inventors have developed certain additional vaporizer-related inventions (the "New Inventions") and in accordance with the terms and conditions of the Amended Agreement, the Company is granted a royalty-bearing exclusive license to commercialize, use, and sublicense the Original Inventions and the New Inventions. In exchange for the additional rights granted to the Company under the Amended Agreement, the Company has assigned the ownership of certain patents back to the Inventors and the royalty payable by the Company has been increased from 3% to 4.5%. The fair value of the patents assigned back to the Inventors was $146,583.

### Key management compensation

Key management is comprised of the Company's directors and executive officers. The Company incurred the following key management compensation during the periods ended November 30, 2022 and November 30, 2021:

| | **2022** | 2021 |
|---|---|---|
| | **$** | $ |
| Professional and management fees | **2,238,673** | 785,711 |
| Wages | **994,310** | - |
| Share-based compensation | **-** | 10,131 |
| | **3,232,983** | 795,841 |

## OUTSTANDING SHARE DATA

Authorized Share Capital

The Company has an unlimited number of common shares and preferred shares without par value authorized for issuance.

Share Transactions

The Company issued the following shares during the period ended November 30, 2022:

(i) Pursuant to the Transaction described in Note 8, the Company issued 32,759,696 common shares of the Company after the conversion of 32,760 preferred shares to the former Poda Shareholders.

(ii) Certain holders of convertible notes converted their convertible notes and interest accrued to date totaling $604,507 into 15,590,140 common shares of the Company.

(iii) The Company issued 25,750,000 and 4,478,044 common shares for gross proceeds of $2,575,000 and $670,433 pursuant to the exercise of share purchase warrants and stock options, respectively.

(iv) The Company issued 1,010,000 common shares pursuant to conversion of restricted share units with a fair value of $289,800.

Warrants

Movements in the number of warrants outstanding and their related weighted average exercise prices are as follows:

| | Number of warrants | Weighted average exercise price $ |
|---|---|---|
| Outstanding, February 28, 2021 | - | - |
| Deemed granted upon reverse take-over | 27,000,000 | 0.10 |
| Granted | 12,915,321 | 1.88 |
| Exercised | (1,250,000) | (0.10) |
| Outstanding, February 28, 2022 | 38,665,321 | 0.70 |
| Exercised | (25,750,000) | (0.10) |
| Outstanding, November 30, 2022 | 12,915,321 | 1.88 |

Warrants outstanding and exercisable as at November 30, 2022 are as follows:

| Number of Warrants | | | | |
|---|---|---|---|---|
| Outstanding | Exercisable | Exercise Price | Expiry Date | Contractual Life of Warrants Remaining |
| 1,250,000 | 1,250,000 | $0.10 | May 20, 2023 | 0.46 years |
| 3,640,321 | 3,640,321 | $1.00 | June 24, 2023 | 0.56 years |
| 7,500,000 | 7,500,000 | $2.50 | July 29, 2023 | 0.66 years |
| 525,000 | 525,000 | $2.50 | August 4, 2024 | 1.68 years |
| 12,915,321 | 12,915,321 | $1.88 | | 0.66 years |

As at November 30, 2022, 12,915,321 warrants are outstanding with a weighed average exercise price of $1.88 and a weighted average remaining contractual life of 0.66 years.

**Stock option plan**

The Company has adopted a rolling incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to Directors, officers, employees or consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 15% of the issued and outstanding common shares of the Company. Options and RSU's granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

| | Number of options | Weighted average exercise price $ |
|---|---|---|
| Outstanding, February 28, 2021 | 4,912,178 | 0.14 |
| Granted | 1,500,000 | 0.22 |
| Exercised | (60,000) | (0.16) |
| Forfeitures and cancellations | (987,134) | (0.18) |
| Outstanding, February 28, 2022 | 5,365,044 | 0.18 |
| Exercised | (4,478,044) | (0.15) |
| Forfeitures and cancellations | (200,000 | (0.10) |
| Outstanding, November 30, 2022 | 687,000 | 0.37 |

Stock options outstanding and exercisable as at November 30, 2022 are as follows:

| Number of Stock Options | | | | |
|---|---|---|---|---|
| Outstanding | Exercisable | Exercise Price | Expiry Date | Contractual Life of Options Remaining |
| 12,000 | 12,000 | $0.16 | March 15, 2024 | 1.29 years |
| 200,000 | 200,000 | $0.10 | January 15, 2026 | 3.13 years |
| 75,000 | 75,000 | $0.10 | March 30, 2026 | 3.33 years |
| 400,000 | 400,000 | $0.56 | November 1, 2026 | 3.92 years |
| 687,000 | 687,000 | $0.37 | | 3.58 years |

As at November 30, 2022, 687,000 stock options are outstanding with a weighed average exercise price of $0.37 and a weighted average remaining contractual life of 3.58 years.

Restricted Share Units ("RSUs")

On June 28, 2021, the Company granted an aggregate of 485,000 restricted share units to a consultant. The RSUs vest as follows: (a) 240,000 six months following the date of grant, and (b) 245,000 twelve months following the date of grant.

On July 6, 2021, the Company granted an aggregate of 435,000 restricted share units to an advisor. The RSUs vest as follows: (a) 215,000 six months following the date of grant, and (b) 220,000 twelve months following the date of grant.

On July 14, 2021, the Company granted an aggregate of 50,000 restricted share units to an advisor. The RSUs vest as follows: (a) 25,000 six months following the date of grant, and (b) 25,000 twelve months following the date of grant.

On August 9, 2021, the Company granted an aggregate of 40,000 restricted share units to an advisor. The RSUs vest as follows: (a) 20,000 six months following the date of grant, and (b) 20,000 twelve months following the date of grant.

The RSUs granted entitle the holder to receive a payout with respect to the vested RSUs within 60 days of vesting. The RSUs were converted to common shares during the quarter. As at and for the period ended May 31, 2022, the Company had recorded a liability of $289,800 on the statement of financial position, and a corresponding share-based compensation expense on the statement of comprehensive loss which represents the fair value of the RSUs based on the market price as of the date of vesting or period-end. This amount was reversed upon conversion of the restricted share units.

## FINANCIAL INSTRUMENTS AND RISKS

### Fair values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at November 30, 2022 and February 28, 2022, as follows:

| | | November 30, 2022 | | |
|---|---|---|---|---|
| | Carrying value $ | Level 1 $ | Level 2 $ | Level 3 $ |
| Cash | 3,810,913 | 3,810,913 | - | - |

| | | February 28, 2022 | | |
|---|---|---|---|---|
| | Carrying value $ | Level 1 $ | Level 2 $ | Level 3 $ |
| Cash | 13,235,203 | 13,235,203 | - | - |

The fair values of other financial instruments, which include accounts receivable, accounts payable, RSU liability, convertible note and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

### Credit risk

Credit risk arises from cash held with banks and financial institutions, as well as credit exposure on outstanding GST and taxes recoverable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. GST and taxes recoverable consist of GST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

### Currency risk

Currency risk is the risk that changes in foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The Company has minimal financial assets and liabilities held in foreign currencies.

### Interest rate risk

Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company’s monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. The Company’s amounts due to related parties are non-interest bearing.

**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 currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

**Capital management**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of all components of shareholders equity.

The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company’s overall strategy with respect to capital risk management remains unchanged from the period ended November 30, 2022.

## OFF-BALANCE SHEET ARRANGEMENTS AND PROPOSED TRANSACTIONS

The Company has no off-balance sheet arrangements or proposed transactions.

## SIGNIFICANT ACCOUNTING POLICIES

The Company follows the accounting policies described in Note 3 the Company’s unaudited interim consolidated financial statements for the nine months ended November 30, 2022, with the exception of the new accounting standards adopted in the current year, as described below.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in applying the Company’s accounting policies. These judgments and estimates are based on management’s best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from amounts included in the financial statements. The critical accounting estimates and judgments used by the Company are described in Note 3 of the Company’s unaudited interim consolidated financial statements for the nine months ended November 30, 2022.

## ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

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

## RISK FACTORS

This section discusses factors relating to the business of the Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner.

**The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management**

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

**The Company may not be able to manage its growth**

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

**The Company is subject to changes in laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations**

The Company's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of tobacco and other substance, but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations. The Company endeavors to comply with all relevant laws, regulations and guidelines. To the best of the Company's knowledge, the Company is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines as described elsewhere in this MD&A.

**There is no assurance that the Company will turn a profit or generate immediate revenues**

There is no assurance as to whether the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

**If the Company is unable to develop and market new products, it may not be able to keep pace with market developments**

The heat-not-burn industry is in its early stages, and it is likely that the Company and its competitors will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company will need to expend significant amounts of capital in order to successfully develop and generate revenues from new products. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which together with capital expenditures made in the court of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

**If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the heat-not-burn market**

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's CEO, technical experts, management team and sales personnel. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of its employees.

**The size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data**

Because the heat-not-burn industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.

**The Company is dependent on access to skilled labor, equipment and parts**

The ability of the Company to compete and grow will be dependent on having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining the required supply of skilled labor, equipment, parts and components. It is also possible that the expansion plans contemplated by the Company may cost more than anticipated, in which circumstance the Company may curtail, or extend timeframes for completing the expansion plans. This could have a material adverse effect on the financial results and operations of the Company.

**The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses or claims against the Company**

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the

Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

**The Company will be reliant on information technology systems and may be subject to damaging cyber-attacks**

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.
The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

**The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest**

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time-to-time deal with persons, firms, institutions or Companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In certain circumstances, the Company's reputation could be damaged.

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the

Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

**Risks of foreign operations**

The Company's strategy includes exporting its expertise and technologies to foreign countries. Working outside of Canada gives rise to the risk of dealing with business and political systems that are different than what the Company is accustomed to in Canada. The potential risks include expropriation or nationalization; civil insurrection; labor unrest; strikes and other political risks; fluctuations in foreign currency and exchange controls; increases in duties and taxes; and changes in laws and policies governing operations of foreign based companies. Restrictions on repatriation of capital or distributions of earnings could adversely affect the Company in the future.

**Anti-bribery and anti-corruption laws**

The Company is subject to anti-bribery and anti-corruption laws, including the Corruption of Foreign Public Officials Act (Canada) and the U.S. Foreign Corrupt Practices Act. Failure to comply with these laws could subject the Company to, among other things, reputational damage, civil or criminal penalties, other remedial measures and legal expenses which could adversely affect the Company's business, results of operations and financial condition. It may not be possible for the Company to ensure compliance with anti-bribery and anti-corruption laws in every jurisdiction in which its employees, agents, sub-contractors or joint venture partners are located or may be located in the future.

**Market risks for securities**

The market price of common shares, should the Company become listed on a securities exchange, may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control.

**Dividends**

Other than the dividends paid in connection with the Transaction, the Company had not paid any dividends on its issued and outstanding common shares and may not pay dividends in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the board of directors of the Company (the "Board") and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Board may deem relevant. As a result, investors may not receive any return on an investment in the Common Shares unless they sell their common shares of the Company for a price greater than that which such investors paid for them.

**Financing risk**

The Company will be dependent upon the capital markets to raise additional financing in the future. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. These and other factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. The Company may not be able to raise capital on favorable terms or at all, which could have an adverse impact on the Company's operations and the trading price of the common shares, should the Company become listed on a securities exchange. Additionally, future financing may substantially dilute the interests of the Company's shareholders.

**APPENDIX “C”**
**FINANCIAL STATEMENTS OF ULTRON**

(See attached)

# ULTRON CAPITAL CORP.

## FINANCIAL STATEMENTS

## FOR THE YEARS ENDED JANUARY 31, 2022 AND 2021

Expressed in Canadian Dollars

HAY & WATSON | Chartered Professional Accountants

900-1450 Creekside Drive, Vancouver, BC, Canada V6J 5B3
P 604 734 1690 F 604 336 8959 E creekinfo@hay-watson.bc.ca

# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Ultron Capital Corp.**

## Opinion

We have audited the financial statements of Ultron Capital Corp. (the "Company"), which comprise the statement of financial positions as at January 31, 2022 and 2021 and February 1, 2020, the statements of loss and comprehensive loss and of changes in shareholders' deficiency for the years ended January 31, 2022 and 2021, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2022 and 2021 and February 1, 2020, and its financial performance and its cash flows for the years ended January 31, 2022 and 2021 in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 in the financial statements, which indicates that the Company incurred losses since inception and has a working capital deficit and accumulated deficit as at January 31, 2022. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that 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 Management Discussion & Analysis for the year ended January 31, 2022, but does not include the financial statements and our auditor's report thereon. 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 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. 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 audit.

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

Hay + Watson

Chartered Professional Accountants
Vancouver, BC, Canada
April 12, 2023

**ULTRON CAPITAL CORP.**
**STATEMENTS OF FINANCIAL POSITION**
**As at January 31, 2022 and 2021 and February 1, 2020**
**Expressed in Canadian Dollars**

| | | January 31, 2022 | | January 31, 2021 | | February 1, 2020 |
|---|---|---|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | | | | |
| **Current Liabilities** | | | | | | |
| Accrued liabilities | $ | 9,999 | $ | 4,999 | $ | 4,999 |
| **Shareholder's Deficiency** | | | | | | |
| Share capital (Note 4) | | 1 | | 1 | | 1 |
| Deficit | | (10,000) | | (5,000) | | (5,000) |
| | | (9,999) | | (4,999) | | (4,999) |
| **TOTAL LIABILITIES AND EQUITY** | **$** | **-** | $ | - | $ | - |

Nature and continuance of operations (Note 1)
Subsequent events (Note 7)

The accompanying notes are an integral part of these financial statements.

**ULTRON CAPITAL CORP.**
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**
**For the years ended January 31, 2022 and 2021**
**Expressed in Canadian Dollars**

| | | 2022 | | 2021 |
|---|---|---|---|---|
| **EXPENSES** | | | | |
| Professional fees | $ | 5,000 | $ | - |
| **Net loss and comprehensive loss for the year** | $ | 5,000 | $ | - |
| Basic and diluted loss per share | $ | 5,000 | $ | - |
| **Weighted average number of shares outstanding** | | 1 | | 1 |

The accompanying notes are an integral part of these financial statements.

**ULTRON CAPITAL CORP.**
**STATEMENTS OF CHANGES IN SHAREHOLDER'S DEFICIENCY**
**For the years ended January 31, 2022 and 2021**
**Expressed in Canadian Dollars**

| | Number of shares (Note 4) | Share capital (Note 4) | Deficit | Total Shareholder's Deficiency |
|---|---|---|---|---|
| **Balances, February 1, 2020 and January 31, 2021** | 1 | $ 1 | $ (5,000) | $ (4,999) |
| Net loss for the year | - | - | (5,000) | (5,000) |
| **Balance, January 31, 2022** | **1** | **$ 1** | **$ (10,000)** | **$ (9,999)** |

The accompanying notes are an integral part of these financial statements.

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Ultron Capital Corp. (the "Company") was incorporated under the Business Corporations Act of British Columbia on July 6, 2018. The address of the Company's corporate office and its principal place of business is 800 W Pender St. Suite 1140, Vancouver, B.C. V6C 1J8.

These are the Company's first set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and the Company has been inactive for the previous two (2) fiscal years.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. During the year ended January 31, 2022, the Company incurred a net loss of $5,000 (2021 - $nil) and as at January 31, 2022 had a working capital deficiency and accumulated deficit of $9,999 (January 31, 2021 - $4,999 and February 1, 2020 - $4,999). The Company does not generate sufficient cash flow from operations to adequately fund its activities and has therefore relied principally upon the support of creditors, related parties and issue of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issue of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although these financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's recoverability of assets, classification of assets and liabilities, and results of operations should the Company be unable to continue as a going concern.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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 by the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements were approved by the Board of Directors of the Company on April 12, 2023.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of presentation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

### Significant accounting estimates and judgments

The preparation of these 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 revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates. Key judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are:

*Going concern*
The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company has disclosed a material uncertainty regarding going concern in Note 1 which requires the use of management's judgment on the ability of the Company to continue its operations and to develop or acquire a self-sustaining business or assets.

While management believes judgements and the estimates are reasonable, actual results could differ from those judgements and estimates and could impact future results of operations and cash flows.

### Share issue costs

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issue of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of potential common shares that may add to the total number of common shares to the extent that they are not antidilutive.

### Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*Financial assets*
On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model under which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value, net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

*Impairment*
Impairment of value is determined by the application of the ‘expected credit loss’ model, which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with an asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount of the asset. The carrying amount of the asset is determined by estimating the present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate and the resulting loss is recognized in profit or loss for the period.

In subsequent periods, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

*Financial liabilities*
Financial liabilities are designated as either: (i) at fair value through profit or loss; or (ii) at amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Accrued liabilities are classified under amortized cost and carried on the statement of financial position at amortized cost.

As at January 31, 2022, the Company does not have any derivative financial liabilities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income taxes

*Current income tax*
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*
Deferred tax is provided for based on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

### Accounting pronouncements not yet adopted

A number of amendments to standards and interpretations applicable to the Company are effective for the year ended January 31, 2022 and have not been applied in preparing these financial statements. The Company does not expect these amendments to have a significant effect on its current or future financial statements.

## 3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instrument consists of accrued liabilities.

### Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and the estimated fair values of specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions may also significantly affect estimated fair values.

The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value of cash is determined using level 1 of the fair value hierarchy.

The carrying value of accrued liabilities approximates its fair value due to the nature and expected short term maturity of the financial instrument.

### Financial instrument risk exposure and risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

The Company is exposed to various risks related to financial instruments. The Board monitors and approves the risk management process.

## 3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### Financial instrument risk exposure and risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet its commitments. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issues. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing required and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. All of the Company’s financial liabilities are due within the next operating period.

## 4. SHARE CAPITAL

(a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued and outstanding

On July 6, 2018, the Company issued 1 common share at a price of $0.01.

**Expressed in Canadian Dollars**

## 5. INCOME TAXES

The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable incomes will be realized during the carry forward periods to utilize all deferred tax assets.

The following table reconciles the amount of income tax recoverable on the application of the statutory Canadian federal and provincial income tax rates:

| | | Year ended January 31, 2022 |
|---|---|---|
| Net loss | $ | (5,000) |
| Canadian statutory income tax rate | | 11% |
| Income tax recovery at statutory rate | | (550) |
| Add: | | |
| Change in deferred tax assets not recognized | | 550 |
| Deferred income tax recovery | $ | - |

The temporary differences that give rise to significant portions of the deferred tax assets which are not recognized are:

| | | January 31, 2022 | | January 31, 2021 | | February 1, 2020 |
|---|---|---|---|---|---|---|
| Non-capital loss carry forwards | $ | 1,100 | $ | 550 | $ | 550 |
| Deferred tax assets not recognized | | (1,100) | | (550) | | (550) |
| | $ | - | $ | - | $ | - |

The Company has losses carried forward of $10,000 available to reduce income taxes in future years and which, if unused, expire between 2040 and 2042.

## 6. CAPITAL MANAGEMENT

The Company manages its capital structure, and makes adjustments to it based on the funds available to the Company in order to support its business plan. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business.

Management reviews its capital management activities on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

## 6. CAPITAL MANAGEMENT (continued)

There were no changes in the Company's approach to capital management during the period ended January 31, 2022. The Company is not subject to externally imposed capital requirements or restrictions.

## 7. SUBSEQUENT EVENTS

(a) Consulting agreement

On January 10, 2023, the Company entered into a one-year consulting service agreement for a total fee of $350,000 plus GST of $17,500. The consultant will assist the Company in identifying and facilitating a strategic transaction with an entity which has intellectual property assets in artificial intelligence and machine learning. In addition, the consultant will help the Company raise debt and equity financing and obtain a listing on a recognized stock exchange in North America.
The Company paid the consulting fee by issuing a non-refundable convertible promissory note (Note 7(b)).

(b) Convertible promissory note

On January 10, 2023, the Company issued a convertible promissory note with a principal amount of $367,500 as payment for a consulting agreement (Note 7(a)). The convertible promissory note does not bear interest and matures on December 31, 2025. The convertible promissory note is convertible into common shares of the Company at $0.10 per common share at the discretion of the holder at any time after October 31, 2025 until the maturity date. The convertible promissory note holder may not exercise the conversion right in respect of any portion of the convertible promissory note if, after the conversion, it would hold more than 10% of the outstanding common shares of the Company.

(c) Reverse acquisition with R&R&D Solutions Inc. ("RRD")

On January 31, 2023, the Company acquired 100% of the outstanding shares of RRD (the "Acquisition") through the issue of 42,801,000 common shares of the company to the shareholders of RRD. The Acquisition resulted in the shareholders of RRD acquiring control of the Company. Therefore, the Acquisition has been accounted for as a reverse acquisition and, as the Company did not meet the definition of a business as defined by IFRS 3 – Business Combinations, it has been accounted for as a share-based payment

## 7. SUBSEQUENT EVENTS (continued)

(d) Special warrant financing

Subsequent to the Acquisition (Note 7(c)), on January 31, 2023, the Company issued 200,000 special warrants at a price of $0.05 per special warrant for gross proceeds of $10,000. Each Special Warrant will entitle the holder to receive one common share of the Company, immediately upon the earlier of (i) the fifth business day after the date on which the Company receives final receipt for its final prospectus, and (ii) the date that is four months and a day after the date of issue of the special warrant.

(e) Business combination agreement with Generative AI Solutions Corp. (formerly Idle Lifestyle Inc.) ("Generative AI")

On February 16, 2023, the Company entered into a business combination agreement with Generative AI and 1399318 B.C. LTD., a subsidiary of Generative AI, to complete an amalgamation of the Company and Generative AI (the "Amalgamation") which would result in the common shares of the resulting amalgamated entity being listed on the Canadian Securities Exchange ("CSE"), subject to CSE and other regulatory approvals.

The significant terms of the Amalgamation are:

- the Company will complete a private placement of 8,175,000 common shares at a price of $0.15 per common share for gross proceeds of $1,266,250 (completed on March 7 2023);
- prior to the Amalgamation, each of the issued and outstanding multiple voting shares ("MV Shares") of Generative AI will be converted to subordinate voting shares ("SV Shares") of Generative AI on a 1,000:1 basis;
- the holders of the issued and outstanding common shares of the Company will receive an aggregate of 51,176,001 common shares of the resulting amalgamated entity; and
- the convertible debt instrument of the Company shall be assigned to the resulting amalgamated entity and any common shares to be issued upon the conversion of the convertible debt instrument shall be issued as resulting amalgamated entity common shares on an equivalent basis.

Following the Amalgamation, it is anticipated that the existing shareholders of the Company will collectively hold approximately 90.2% of the then issued and outstanding common shares of the resulting amalgamated entity and the existing shareholders of Generative AI will collectively hold approximately 9.8% of the then issued and outstanding common shares of the resulting amalgamated entity.

## 7. SUBSEQUENT EVENTS (continued)

(f) Incorporation of 1398582 B.C. Ltd.

On January 30, 2023, the Company incorporated 1398582 B.C. Ltd. under the Business Corporations Act (British Columbia). 1398582 B.C. Ltd. has not undertaken any operations and was incorporated with the intention of facilitating future acquisitions.

# ULTRON CAPITAL CORP.

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JANUARY 31, 2023
## AND THE PERIOD FROM JANUARY 17, 2022 TO JANUARY 31, 2022

Expressed in Canadian Dollars

HAY & WATSON | Chartered Professional Accountants

900-1450 Creekside Drive, Vancouver, BC, Canada V6J 5B3
P 604 734 1690 F 604 336 8959 E creekinfo@hay-watson.bc.ca

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ultron Capital Corp.

**Opinion**
We have audited the consolidated financial statements of Ultron Capital Corp. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2023 and 2022, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended January 31, 2023 and the period from incorporation on January 17, 2022 to January 31, 2022 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at January 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the year ended January 31, 2023 and for the period from incorporation on January 17, 2022 to January 31, 2022 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 Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion

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

Hay + Watson

Chartered Professional Accountants
Vancouver, BC
April 12, 2023

**ULTRON CAPITAL CORP.**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**As at January 31, 2023 and 2022**
**Expressed in Canadian Dollars**

| | | 2023 | | 2022 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current | | | | |
| Cash | $ | 444,885 | $ | - |
| Prepaid expense | | 5,000 | | - |
| Prepaid consulting fee (Note 5) | | 346,356 | | - |
| Share subscriptions receivable | | - | | 10 |
| | | 796,241 | | 10 |
| Intangible asset (Note 6) | | 150,000 | | - |
| | $ | 946,241 | $ | 10 |
| **Liabilities** | | | | |
| Current | | | | |
| Accounts payable and accrued liabilities | $ | 17,209 | $ | 1,210 |
| Payable for acquisition of intangible asset (Note 6) | | 150,000 | | - |
| Due to related party (Note 7) | | 11,875 | | - |
| | | 179,084 | | 1,210 |
| Convertible promissory note (Note 8) | | 226,912 | | - |
| | | 405,996 | | 1,210 |
| **Shareholders' Equity (Deficiency)** | | | | |
| Share capital (Note 9) | | 428,010 | | 10 |
| Special warrants (Note 9) | | 10,000 | | - |
| Convertible promissory note reserve (Note 8) | | 88,200 | | - |
| Retained earnings (deficit) | | 14,035 | | (1,210) |
| | | 540,245 | | (1,200) |
| | $ | 946,241 | $ | 10 |

Nature and continuance of operations (Note 1)
Subsequent event (Note 12)

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

**ULTRON CAPITAL CORP.**
**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**
**For the year ended January 31, 2023**
**and the period from January 17, 2022 to January 31, 2022**
**Expressed in Canadian Dollars**

| | | **2023** | | Period from January 17, 2022 to January 31, 2022 |
|---|---|---|---|---|
| **Expense** | | | | |
| Professional fees | $ | 6,000 | $ | 1,210 |
| **Loss before other income** | | (6,000) | | (1,210) |
| **Other income** | | | | |
| Gain on acquisition (Note 4) | | 21,245 | | - |
| **Net income (loss) and comprehensive income (loss)** | $ | 15,245 | $ | (1,210) |
| **Basic and diluted earnings (loss) per share** | $ | 0.00 | $ | (1.21) |
| **Weighted average number of shares outstanding: Basic and diluted** | | 8,924,562 | | 1,000 |

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

**ULTRON CAPITAL CORP.**
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**
**For the year ended January 31, 2023**
**and the period from January 17, 2022 to January 31, 2022**
**Expressed in Canadian Dollars**

| | Common Shares | Share Capital | Special Warrants | Convertible Promissory Note Reserve | Retained Earnings (Deficit) | Total |
|---|---|---|---|---|---|---|
| Balance, January 17, 2022 | - | $ - | $ - | $ - | $ - | $ - |
| Issue of common shares (Note 9) | 1,000 | 10 | - | - | - | 10 |
| Net loss for the period | - | - | - | - | (1,210) | (1,210) |
| Balance, January 31, 2022 | 1,000 | 10 | - | - | (1,210) | (1,200) |
| Issue of common shares (Note 9) | 42,800,000 | 428,000 | - | - | - | 428,000 |
| Recapitalization (Note 4) | (42,800,999) | - | - | - | - | - |
| Reverse acquisition (Note 4) | 42,801,000 | - | - | 88,200 | - | 88,200 |
| Issue of special warrants (Note 9) | - | - | 10,000 | - | - | 10,000 |
| Net income for the year | - | - | - | - | 15,245 | 15,245 |
| **Balance, January 31, 2023** | **42,801,001** | **$ 428,010** | **$ 10,000** | **$ 88,200** | **$ 14,035** | **$ 540,245** |

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

**ULTRON CAPITAL CORP.**
**CONSOLIDATED STATEMENT OF CASH FLOW**
**For the year ended January 31, 2023**
**and the period from January 17, 2022 to January 31, 2022**
**Expressed in Canadian Dollars**

| | | **2023** | | Period from January 17, 2022 to January 31, 2022 |
|---|---|---|---|---|
| Cash provided by (used in): | | | | |
| **Operating activities** | | | | |
| Net income (loss) | $ | 15,245 | $ | (1,210) |
| Non-cash item: | | | | |
| Gain on acquisition | | (21,245) | | - |
| Changes in non-cash working capital balances: | | | | |
| Accounts payable | | 6,000 | | 1,210 |
| Prepaid expense | | (5,000) | | - |
| Cash used in operating activities | | **(5,000)** | | **-** |
| **Financing activities** | | | | |
| Advances from related party (Note 7) | | 11,875 | | - |
| Proceeds from issue of special warrants (Note 9) | | 10,000 | | - |
| Proceeds from issue of common shares (Note 9) | | 428,010 | | - |
| Cash provided by financing activities | | **449,885** | | - |
| Net change in cash for the period | | **444,885** | | - |
| Cash, beginning of period | | **-** | | - |
| Cash, end of period | **$** | **444,885** | $ | - |

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Ultron Capital Corp. (the “Company” or “Ultron”) was incorporated under the Business Corporations Act of British Columbia on July 6, 2018. The address of the Company’s corporate office and its principal place of business is 800 W Pender St. Suite 1140, Vancouver, B.C. V6C 1J8.

The Company’s primary business is the development and application of artificial intelligence technology to solve complex problems in a variety of industries, focusing its initial technology on the education industry.

On January 31, 2023, the Company completed the reverse acquisition of R&R&D Solutions Inc. (“RRD”). As discussed in Note 4, the acquisition of RRD was considered a reverse acquisition for accounting purposes, with RRD identified as the acquirer. As such, these consolidated financial statements for the year ended January 31, 2023 and the period from incorporation of RRD on January 17, 2022 to January 31, 2022 present the results of RRD and the results of Ultron included from the date of the acquisition. The shareholders’ equity (deficiency) accounts reflect capital activity related to RRD up to the date of the acquisition. On the date of the acquisition, the shareholders’ equity (deficiency) accounts were effectively recapitalized, reflecting the share structure of Ultron from the date of the acquisition onward. The comparative statements as of January 31, 2022 and for the period from incorporation, on January 17, 2022, to January 31, 2022 reflect the financial position and results of RRD as the acquiring company for accounting purposes.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. During the year ended January 31, 2023, the Company reported net income of $15,245 (2022 – net loss of $1,210) and as at January 31, 2023 had an accumulated equity of $14,035 (2022 – deficit of $1,210). The Company does not generate sufficient cash flow from operations to adequately fund its activities and has therefore relied principally upon the issue of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issue of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

These consolidated financial statements do not include any adjustments that may result from the inability to secure future financing. Such a situation would have a material adverse effect on the Company's recoverability of assets, classification of assets and liabilities, and results of operations should the Company be unable to continue as a going concern.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations by the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements were approved by the Board of Directors of the Company on April 12, 2023.

### Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

### Significant accounting estimates and judgments

The preparation of these 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 consolidated financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates. Key judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are:

*Acquisition*
Management has made judgments relating to the determination of whether the acquisition completed during the year represented an asset acquisition or a business combination. Management has also made judgements relating to the determination of the accounting acquiree and acquirer of the transaction and estimates regarding the fair value of the consideration in the acquisition.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Going concern*

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company has disclosed a material uncertainty regarding going concern in Note 1 which requires the use of management's judgment on the ability of the Company to continue its operations and to develop or acquire a self-sustaining business or assets.

While management believes judgements and the estimates are reasonable, actual results could differ from those judgements and estimates and could impact future results of operations and cash flows.

### Basis of consolidation

These consolidated financial statements consist of Ultron Capital Corp. and its wholly-owned subsidiaries: R&R&D Solutions Inc. and 1398582 B.C. Ltd. All intercompany balances and transactions have been eliminated upon consolidation. Subsidiaries are entities over which the Company has control and are consolidated from the date control commences until control ceases. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

### Share issue costs

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issue of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

### Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similarly to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding common share purchase options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. As

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basic and diluted earnings (loss) per share (continued)

at January 31, 2023, the Company's potential common shares from the outstanding convertible promissory note have not been considered in calculating the diluted earnings per share as their effect would be anti-dilutive.

### Intangible asset

The intangible asset consists of an artificial intelligence technology application which has a finite life and is carried at cost less accumulated amortization and impairment.

Intangible assets with finite life are tested for impairment if indicators of impairment exist. Intangible assets with indefinite lives are not amortized but are tested annually for impairment. Any impairment of intangible assets is recognized in the consolidated statement of income (loss) and comprehensive income (loss) but increases in intangible asset values are not recognized. Estimated useful lives of intangible assets are the shorter of the economic life and the period the rights are legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each consolidated statement of financial position date.

The estimated useful life of the artificial intelligence technology application is 5 years.

### Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*Financial assets*
On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model under which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value, net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

*Financial assets (continued)*
Cash and share subscriptions receivable are classified under amortized cost and carried on the consolidated statement of financial position at amortized cost.

*Impairment*
Impairment of value is determined by the application of the 'expected credit loss' model, which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with an asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount of the asset. The carrying amount of the asset is determined by estimating the present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate and the resulting loss is recognized in profit or loss for the period.

In subsequent periods, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

*Financial liabilities*
Financial liabilities are designated as either: (i) at fair value through profit or loss; or (ii) at amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Accounts payable and accrued liabilities, due to related party, and convertible promissory note are classified as amortized cost and carried on the consolidated statement of financial position at amortized cost.

As at January 31, 2023 and 2022, the Company does not have any derivative financial liabilities.

.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income taxes

*Current income tax*
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*
Deferred tax is provided for based on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

### Accounting pronouncements not yet adopted

A number of amendments to standards and interpretations applicable to the Company are not yet effective for the year ended January 31, 2023 and have not been applied in preparing these consolidated financial statements nor does the Company expect these amendments to have a significant effect on its consolidated financial statements.

## 3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instrument consists of cash, share subscriptions receivable, accounts payable and accrued liabilities, due to related party, and convertible promissory note.

### Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and the estimated fair values of specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions may also significantly affect estimated fair values.

The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities;
Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). The fair value of cash is determined using level 1 of the fair value hierarchy.

The carrying value of cash, share subscriptions receivable and accounts payable and accrued liabilities approximates fair value due to the nature and expected short term maturities of the financial instruments.

### Financial instrument risk exposure and risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

The Company is exposed to varying degrees of financial instrument related risks. The Board approves and monitors the risk management process.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not consider its exposure to interest rate risk to be significant as its convertible promissory note does not bear interest.

**Expressed in Canadian Dollars**

## 3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### Financial instrument risk exposure and risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet its commitments. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issues. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any required investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. All of the Company’s financial liabilities are due within the next operating period with the exception of the convertible promissory note which is due on December 31, 2025.

## 4. REVERSE ACQUISITION TRANSACTION

On January 31, 2023, the Company acquired 100% of the outstanding shares of RRD (the “Acquisition”) through the issue of 42,801,000 common shares of the company to the shareholders of RRD. The Acquisition resulted in the shareholders of RRD acquiring control of the Company. Therefore, the Acquisition has been accounted for as a reverse acquisition and, as the Company did not meet the definition of a business as defined by IFRS 3 – Business Combinations, it has been accounted for as a share-based payment transaction in accordance with IFRS 2. The legal subsidiary, RRD, has been determined to have acquired control of the Company and is the acquirer for accounting purposes.

The purchase consideration is measured as the fair value of the common shares the accounting acquirer would have had to issue to give previous shareholders of the accounting acquiree the same percentage equity interest in the resultant combined entity together with the fair value of the deemed replacement of the equity component of the convertible promissory note. The previous shareholders of the accounting acquiree have a nominal interest in the resultant combined entity and therefore the fair value of the common shares was determined to be nominal. The fair value of the deemed replacement of the equity component of the convertible promissory note was measured on the date of the Acquisition using the Black-Scholes option pricing model with the following assumptions:

| | |
|---|---|
| Exercise price | \$0.10 |
| Share price | \$0.05 |
| Expected life | 2.92 years |
| Risk-free interest rate | 3.91% |
| Expected volatility | 100% |
| Dividend rate | Nil |

**Expressed in Canadian Dollars**

## 4. REVERSE ACQUISITION TRANSACTION (continued)

The difference between the fair value of the consideration paid and the fair value of the net assets acquired is recorded as a gain on the acquisition in the consolidated statement of income (loss) and comprehensive income (loss).

| | | |
|---|---|---|
| **Fair value of consideration** | | |
| 1 common share | $ | - |
| Deemed replacement of equity component of convertible promissory note | | 88,200 |
| | | 88,200 |
| | | |
| **Identifiable net assets of the Company acquired by RRD** | | |
| Prepaid consulting fee | | 346,356 |
| Accounts payable and accrued liabilities | | (9,999) |
| Convertible promissory note | | (226,912) |
| | | 109,445 |
| | | |
| **Gain on acquisition** | **$** | **21,245** |

## 5. PREPAID CONSULTING FEE

On January 10, 2023, prior to the Acquisition, the Company entered into a one-year consulting services agreement for a total fee of $350,000 plus GST of $17,500. The consultant will assist the Company in identifying and facilitating a strategic transaction with an entity which has intellectual property assets in artificial intelligence and machine learning. In addition, the consultant will help the Company raise debt and equity financing and obtain a listing on a recognized stock exchange in North America.

The Company paid the consulting fee by issuing a non-refundable convertible promissory note (Note 8). As at January 31, 2023, the remaining prepaid balance of consulting services was $346,356.

**Expressed in Canadian Dollars**

## 6. INTANGIBLE ASSET

The intangible asset consists of a mobile application powered by artificial intelligence with an estimated useful life of five years which was acquired by the Company for a purchase price of $150,000 during the year ended January 31, 2023. The application is in development and is expected to be ready for use by the end of 2023.

| | |
|---|---|
| Balance, January 17 and January 31, 2022 | $ - |
| Addition | 150,000 |
| **Balance, January 31, 2023** | **$ 150,000** |

## 7. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

As at January 31, 2023, $11,875 (2022 - $nil) was payable to a director of the Company for advances received by the Company. This amount is unsecured, bears no interest and has no specific terms of repayment.

## 8. CONVERTIBLE PROMISSORY NOTE

On January 10, 2023, prior to the Acquisition, the Company issued a convertible promissory note with a principal amount of $367,500 as payment for a consulting agreement (Note 5). The convertible promissory note does not bear interest and matures on December 31, 2025. The convertible promissory note is convertible into common shares of the Company at $0.10 per common share at the discretion of the holder at any time after October 31, 2025 until the maturity date. The convertible promissory note holder may not exercise the conversion right in respect of any portion of the convertible promissory note if, after the conversion, it would hold more than 10% of the outstanding common shares of the Company.

On the date of Acquisition, the liability component of the convertible promissory note of $226,912 was measured at the fair value of a similar liability that did not have an equity conversion option using a discount rate of 18%. Subsequent to the Acquisition, the liability component of the convertible promissory note is carried at amortized cost.

The equity component of the convertible promissory note was measured at fair value on the date of the Acquisition as described in Note 4.

## 9. SHARE CAPITAL

(a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued and outstanding

On incorporation, on January 17, 2022, RRD issued 1,000 common shares at a price of $0.01 per common share for gross proceeds of $10.

On November 15, 2022, RRD issued 42,800,000 common shares at a price of $0.01 per common share for gross proceeds of $428,000.

On January 31, 2023, pursuant to the Acquisition (Note 4), the Company acquired 100% of the then issued and outstanding shares of RRD by issuing 42,801,000 common shares of the Company.

On January 31, 2023, subsequent to the completion of the Acquisition (Note 4), the Company issued 200,000 special warrants at a price of $0.05 per special warrant for gross proceeds of $10,000. Each Special Warrant will entitle the holder to receive one common share of the Company, immediately upon the earlier of (i) the fifth business day after the date on which the Company receives final receipt for its final prospectus, and (ii) that date that is four months and a day after the date of issue of the special warrant.

**Expressed in Canadian Dollars**

## 10. INCOME TAXES

The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable incomes will be realized during the carry forward periods to utilize all deferred tax assets.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

| | | **Year ended January 31, 2023** |
|---|---|---|
| Net income | $ | 15,245 |
| Canadian statutory income tax rate | | 11% |
| Income tax payable at statutory rate | | 1,677 |
| Add: | | |
| Effect of items that are not taxable | | (2,337) |
| Change in deferred tax assets not recognized | | 660 |
| **Deferred income tax recovery** | **$** | **-** |

The temporary differences that give rise to significant portions of the deferred tax assets not recognized are:

| | | **January 31, 2023** | | January 31, 2022 |
|---|---|---|---|---|
| Non-capital loss carry forwards | **$** | **4,216** | $ | 133 |
| Deferred tax assets not recognized | | **(4,216)** | | (133) |
| | **$** | **-** | $ | - |

The Company has tax losses carried forward of $38,354 available to reduce income taxes in future years, which will expire in 2043.

## 11. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support its business plan. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business.

Management reviews its capital management activities on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

## 11. CAPITAL MANAGEMENT (continued)

There were no changes in the Company's approach to capital management during the period ended January 31, 2023. The Company is not subject to externally imposed capital requirements or restrictions.

## 12. SUBSEQUENT EVENT

On February 16, 2023, the Company entered into a business combination agreement with Generative AI Solutions Corp. (formerly Idle Lifestyle Inc.) ("Generative AI") and 1399318 B.C. LTD., a subsidiary of Generative AI, to complete an amalgamation of the Company and Generative AI (the "Amalgamation") which would result in the common shares of the resulting amalgamated entity being listed on the Canadian Securities Exchange ("CSE"), subject to CSE and other regulatory approvals.

The significant terms of the Amalgamation are:

- the Company will complete a private placement of 8,175,000 common shares at a price of $0.15 per common share for gross proceeds of $1,266,250 (completed on March 7 2023);
- prior to the Amalgamation, each of the issued and outstanding multiple voting shares ("MV Shares") of Generative AI will be converted to subordinate voting shares ("SV Shares") of Generative AI on a 1,000:1 basis;
- the holders of the issued and outstanding common shares of the Company will receive an aggregate of 51,176,001 common shares of the resulting amalgamated entity; and
- the convertible debt instrument of the Company shall be assigned to the resulting amalgamated entity and any common shares to be issued upon the conversion of the convertible debt instrument shall be issued as resulting amalgamated entity common shares on an equivalent basis.

Following the Amalgamation, it is anticipated that the existing shareholders of the Company will collectively hold approximately 90.2% of the then issued and outstanding common shares of the resulting amalgamated entity and the existing shareholders of Generative AI will collectively hold approximately 9.8% of the then issued and outstanding common shares of the resulting amalgamated entity.

**APPENDIX “D”**
**MANAGEMENT’S DISCUSSION AND ANALYSIS OF ULTRON**

(See attached)

April 12, 2023

## MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS FOR THE YEAR ENDED JANUARY 31, 2023

This Management Discussion and Analysis ("**MD&A**") provides an analysis of the financial condition and results of operations of Ultron Capital Corp. (the "**Company**") for the year ended January 31, 2023, comparatives from earlier reporting periods, and analyses of certain factors that the Company believes may affect its prospective financial condition. All references to a year refer to the fiscal year that ended on January 31 of that year.

This MD&A should be read in conjunction with the audited consolidated financial statements of the Company and the related notes thereto for the year ended January 31, 2023 and the period from incorporation, on January 17, 2022 to January 31, 2022 (the "**Financial Statements**"). The Financial Statements have been prepared using International Financial Reporting Standards ("**IFRS**") and all amounts are reported in Canadian dollars.

The following discussion contains forward-looking statements and involve numerous risks and uncertainties. Actual results of the Company could differ materially from those discussed in such forward-looking statements as a result of these risks and uncertainties, including those set forth in this prospectus under *"Forward-Looking Statements"* and under *"Risk Factors"*.

## MANAGEMENT'S RESPONSIBILITY

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are responsible to ensure that this MD&A and related filings do not contain any untrue statements of material fact, or omit to state a material fact required to be stated, or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by this MD&A and related filings. The Financial Statements were authorized for issue by the Board of Directors of the Company on April 12, 2023.

## FORWARD-LOOKING INFORMATION AND CAUTIONARY RISKS NOTICE

Certain statements contained in this MD&A constitute forward-looking statements within the meaning of the Canadian securities legislation that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "plans", "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors.

For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include: uncertainties involved in disputes and litigation; fluctuations in currency exchange rates; uncertainty of estimates of capital and operating costs, recovery rates, and economic return; the need for cooperation of government agencies; the need to obtain additional financing and uncertainty as to the availability and terms of future financing; and uncertainty related to the completion of a transaction or amalgamation.

It is the Company's policy that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are as of the date of this MD&A, and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws.

Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning our expectations regarding the ability to raise additional funds and complete a transaction or amalgamation.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and factors including: the possibility that opportunities will arise that require more cash than the Company has or can reasonably obtain; dependence on key personnel; dependence on corporate collaborations; potential delays; uncertainties related to early stage of technology and product development; uncertainties as to fluctuation of the stock market; uncertainties as to future expense levels and the possibility of unanticipated costs or expenses or cost overruns; and other risks and uncertainties which may not be described herein. The Company has no policy for updating forward-looking information beyond the procedures required under applicable securities laws.

## COMPANY OVERVIEW

The Company was incorporated under the Business Corporations Act of British Columbia on July 6, 2018. The address of the Company's corporate office and its principal place of business is 800 W Pender St. Suite 1140, Vancouver, B.C. V6C 1J8.

The Company's primary business is the development and application of artificial intelligence technology to solve complex problems in a variety of industries focusing its initial technology on the education industry.

The Financial Statements comprise the financial statements of the Company and its legal wholly owned subsidiaries: R&R&D Solutions Inc and 1398582 B.C. Ltd.

On January 30, 2023, the Company incorporated 1398582 B.C. Ltd. under the Business Corporations Act (British Columbia), which has not undertaken any operations and was incorporated with the intention of facilitating future acquisitions.

On January 31, 2023, the Company acquired 100% of the outstanding shares of R&R&D Solutions Inc. ("**RRD**") (the "**Acquisition**") through the issue of 42,801,000 common shares of the Company to the shareholders of RRD. The Acquisition resulted in the shareholders of RRD acquiring control of the Company. Therefore, the Acquisition has been accounted for as a reverse acquisition and, as the Company did not meet the definition of a business as defined by IFRS 3 – Business Combination ("**IFRS 3**"), it has been accounted for as a share-based payment transaction in accordance with IFRS 2 – Share-based Payment ("**IFRS 2**"). The legal subsidiary, RRD, has been determined to have acquired control of the Company, and is the acquirer for accounting purposes. In accordance with the principles of reverse acquisition accounting, the Company will report the operations of RRD and its related historical comparatives as its continuing business, except for the legal capital shown in the consolidated statements of changes in shareholders' equity (deficiency), which has been adjusted to reflect the share capital of the Company.

## GOING CONCERN

The Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. During the year ended January 31, 2023, the Company reported net income of $15,245 (2022 – net loss of $1,210) and as at January 31, 2023 had an accumulated equity of $14,035 (2022 – deficit of $1,210). The Company does not generate sufficient cash flow from operations to adequately fund its activities and has therefore relied principally upon the issue of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issue of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although the Financial Statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's recoverability of assets, classification of assets and liabilities, and results of operations should the Company be unable to continue as a going concern.

## SELECTED ANNUAL INFORMATION

The following financial data is derived from the Financial Statements and should be read in conjunction with the Financial Statements.

| | | Year ended January 31, 2023 | | Period from incorporation, January 17, 2022 to January 31, 2022 |
|---|---|---|---|---|
| Other income | $ | 21,245 | $ | - |
| Expenses | $ | (6,000) | $ | (1,210) |
| Net income (loss) and Comprehensive income (loss) | $ | 15,245 | $ | (1,210) |
| Earnings (loss) per share (basic and diluted) | $ | 0.00 | $ | (1.21) |
| Weighted average number of shares outstanding (basic and diluted) | | 8,924,562 | | 1,000 |
| Total assets | $ | 946,241 | $ | 10 |
| Total non-current financial liabilities | $ | 226,912 | $ | - |

On incorporation, on January 17, 2022, RRD issued 1,000 common shares at a price of $0.01 per common share for gross proceeds of $10.

On November 15, 2022, RRD issued 42,800,000 common shares at a price of $0.01 per common share for gross proceeds of $428,000.

On January 31, 2023, pursuant to the Acquisition, the Company acquired 100% of the then issued and outstanding shares of RRD by issuing 42,801,000 common shares of the Company.

## CASH PROVIDED BY OPERATING ACTIVITIES

For year ended January 31, 2023, cash flows used in operating activities amounted to $5,000 for a payment of a prepaid expense.

## CASH PROVIDED BY FINANCING ACTIVITIES

For the year ended January 31, 2023, cash flows provided by financing activities amounted to $449,885 relating to advances from related party of $11,875, the issue of common shares for proceeds of $428,010 and special warrants issued for proceeds of $10,000.

**RESULTS OF OPERATIONS FOR THE YEAR ENDED JANUARY 31, 2023 AND THE FOURTH QUARTER OF THE YEAR ENDED JANUARY 31, 2023**

On January 31, 2023, the Company acquired 100% of the outstanding shares of RRD. The Acquisition resulted in the shareholders of RRD acquiring control of the Company. Therefore, the Acquisition has been accounted for as a reverse acquisition and, as the Company did not meet the definition of a business as defined by IFRS 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2. In accordance with the principles of reverse acquisition accounting, the Company will report the operations of RRD and its related historical comparatives as its continuing business, except for the legal capital shown in the consolidated statements of changes in shareholders' equity (deficiency), which has been adjusted to reflect the share capital of the Company.

The purchase consideration is measured as the fair value of the common shares the accounting acquirer would have had to issue to give previous shareholders of the accounting acquiree the same percentage equity interest in the resultant combined entity together with the fair value of the deemed replacement of the equity component of the convertible promissory note. The previous shareholders of the accounting acquiree have a nominal interest in the resultant combined entity and therefore the fair value was determined to be nominal. The fair value of the deemed replacement of the equity component of the convertible promissory note was measured on the date of the Acquisition using the Black-Scholes option pricing model with the following assumptions:

| | |
|---|---|
| Exercise price | $0.10 |
| Share price | $0.05 |
| Expected life | 2.92 years |
| Risk-free interest rate | 3.91% |
| Expected volatility | 100% |
| Dividend rate | Nil |

The difference between the fair value of the consideration paid and the fair value of the net assets acquired is recorded as a gain on the acquisition in the consolidated statement of income (loss) and comprehensive income (loss).

| | | |
|---|---|---|
| **Fair value of consideration** | | |
| 1 common share | $ | - |
| Deemed replacement of equity component of convertible promissory note | | 88,200 |
| | | 88,200 |
| | | |
| **Identifiable net assets of the Company acquired by RRD** | | |
| Prepaid consulting fee | | 346,356 |
| Accounts payable | | (9,999) |
| Promissory note payable | | (226,912) |
| | | (109,445) |
| | | |
| **Gain on acquisition** | **$** | **(21,245)** |

## SUMMARY OF QUARTERLY RESULTS

During the quarter from November 1, 2022 to January 31, 2023 the Company reported net income and comprehensive income of $15,245 primarily related to the gain on the Acquisition together with professional fees. Basic and diluted earnings per share was $0.00. During the period from January 17, 2022 to January 31, 2022, the Company incurred a net loss and comprehensive loss of $1,210. Basic and diluted loss per share was $1.21. The Company did not have any revenues or expenses during any of the other eight (8) most recently completed quarters.

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

On January 10, 2023, prior to the Acquisition, the Company entered into a one-year consulting services agreement for a total fee of $350,000 plus GST of $17,500. The consultant will assist the Company in identifying and facilitating a strategic transaction with an entity which has intellectual property assets in artificial intelligence and machine learning. In addition, the consultant will help the Company raise debt and equity financing and obtain a listing on a recognized stock exchange in North America.

The Company paid the consulting fee by issuing a non-refundable convertible promissory note with a principal amount of $367,500. The convertible promissory note does not bear interest and matures on December 31, 2025. The convertible promissory note is convertible into common shares of the Company at $0.10 per common share at the discretion of the holder at any time after October 31, 2025 until the maturity date. The convertible promissory note holder may not exercise the conversion right in respect of any portion of the convertible promissory note if, after the conversion, it would hold more than 10% of the outstanding common shares of the Company.

As at January 31, 2023, the Company had cash of $444,885 and current liabilities were $179,084. The Company does not have any commitments for capital expenditures.

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of all components of shareholders' equity (deficiency). Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issue of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements or restrictions.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has not participated in any off-balance sheet or income statement arrangements.

## RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

As at January 31, 2023, $11,875 (2022 - $nil) was payable to a director of the Company. This amount is unsecured, bears no interest and has no specific terms of repayment.

## PROPOSED TRANSACTION

On February 16, 2023, the Company entered into a business combination agreement with Generative AI Solutions Corp. (formerly Idle Lifestyle Inc.) ("**Generative AI**") and 1399318 B.C. LTD., a subsidiary of Generative AI, to complete an amalgamation of the Company and Generative AI (the "**Amalgamation**") which would result in the common shares of the resulting amalgamated entity being listed on the Canadian Securities Exchange ("**CSE**"), subject to CSE and other regulatory approvals.

The significant terms of the Amalgamation are:

- the Company will complete a private placement of 8,175,000 common shares at a price of $0.15 per common share for gross proceeds of $1,266,250 (completed on March 7 2023);
- prior to the Amalgamation, each of the issued and outstanding multiple voting shares ("**MV Shares**") of Generative AI will be converted to subordinate voting shares ("**SV Shares**") of Generative AI on a 1,000:1 basis;
- the holders of the issued and outstanding common shares of the Company will receive an aggregate of 51,176,001 common shares of the resulting amalgamated entity; and
- the convertible debt instrument of the Company shall be assigned to the resulting amalgamated entity and any common shares to be issued upon the conversion of the convertible debt instrument shall be issued as resulting amalgamated entity common shares on an equivalent basis.

Following the Amalgamation, it is anticipated that the existing shareholders of the Company will collectively hold approximately 90.2% of the then issued and outstanding common shares of the resulting amalgamated entity and the existing shareholders of Generative AI will collectively hold approximately 9.8% of the then issued and outstanding common shares of the resulting amalgamated entity.

## CHANGES IN ACCOUNTING POLICIES

The Company has adopted the accounting policies stated in the Financial Statements. A number of amendments to standards and interpretations applicable to the Company are not yet effective for the year ended January 31, 2023 and have not been applied in preparing the Financial Statements nor does the Company expect these amendments to have a significant effect on the Financial Statements

## FINANCIAL INSTRUMENTS

As at January 31, 2023, the Company's financial instruments consisted of cash, accounts payable and accrued liabilities, due to related party and convertible promissory note. The carrying value of cash and accounts payable and accrued liabilities approximates fair value due to the nature and expected short term maturities of the financial instruments.

As at January 31, 2023, the Company's risk exposure and the impact on the Company's financial instruments are:

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not consider its exposure to interest rate risk to be significant as its convertible promissory note does not bear interest.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet its commitments. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issues. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any required investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. All of the Company's financial liabilities are due within the next operating period with the exception of the convertible promissory note which is due on December 31, 2025.

## OUTSTANDING SHARE DATA

As at January 31, 2023, the Company had 42,801,001 common shares issued and outstanding.

As of the date of this MD&A the Company has 50,976,001 common shares issued and outstanding, 200,000 common shares issuable related to special warrants which will be converted into common shares upon the earlier of (i) the fifth business day after the date on which the Company receives final receipt for its final prospectus, and (ii) that date that is four months and a day after the date of issue of the special warrant, and 3,675,000 common shares issuable related to the convertible note (see financial condition, liquidity and capital resources section above).

## ADDITIONAL INFORMATION

Additional information on the Company can be found on SEDAR at www.sedar.com.