XR Immersive Tech Inc.

Condensed Consolidated Interim Financial Statements
Six months ended June 30, 2024, and 2023

Expressed in Canadian dollars, except otherwise indicated

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed consolidated interim unaudited financial statements of XR Immersive Tech Inc. are the responsibility of the Company's management. The condensed consolidated interim unaudited financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available. Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized, and properly recorded, and financial information is reliable.

XR Immersive Tech Inc.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars, except as otherwise indicated)

	Note		As at June 30, 2024		As at December 31, 2023
ASSETS					
Current assets					
Cash and cash equivalents	3	$	295,118	$	196,319
Prepaids and other receivable			37,941		438
Government sales tax receivable			13,106		28,659
			346,165		225,416
Non-current asset					
Investment	4		14,000		49,000
TOTAL ASSETS		**$**	**360,165**	**$**	**274,416**
LIABILITIES					
Current liabilities					
Trade and other payables	5	$	591,521	$	527,894
Accrued liabilities	8		172,085		334,134
Due to related parties	5		300,000		300,000
			1,063,606		1,162,028
Non-current liabilities					
CEBA loan	7		61,074		59,604
Due to parent	5		1,156,794		1,161,913
Convertible debentures	8		420,345		200,260
Loan payable	6		3,914,222		3,630,063
TOTAL LIABILITIES			6,616,041		6,213,868
SHAREHOLDERS' DEFICIT					
Share capital	2,9		6,487,222		6,487,222
Reserve	9		2,545,356		2,503,211
Accumulated other comprehensive income			19,201		(5,367)
Accumulated deficit			(15,307,655)		(14,924,518)
TOTAL SHAREHOLDERS' DEFICIT			(6,255,876)		(5,939,452)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		**$**	**360,165**	**$**	**274,416**

Nature of operations and going concern – Note 1
Subsequent event – Note 12

See accompanying notes to the condensed consolidated interim financial statements.

XR Immersive Tech Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars, except as otherwise indicated)

		Three months ended June 30,		Six months ended June 30,	
	Notes	**2024**	**2023**	**2024**	**2023**
Revenue		$ 333,425	$ 155,137	$ 515,494	$ 356,142
Cost of revenue		1,656	4,719	1,656	8,864
		331,769	150,418	513,838	347,278
Expenses					
Amortization and depreciation		-	55,780	-	111,560
Consulting fees	5	98,207	27,067	144,777	72,477
Foreign exchange loss (gain)		5,165	(14,875)	24,378	27
General and administration	5	95,085	166,560	158,085	254,947
Interest and accretion	6,7,8	162,057	141,225	315,312	290,636
Professional fees	5	50,138	50,812	97,642	73,315
Rent		-	423	-	849
Research and development		-	-	-	700
Salaries and wages	5	38,045	36,773	77,089	87,288
Sales and marketing (adjustment)		6,678	32	40,876	(18,903)
Share-based compensation	5,9	-	68,932	4,023	153,104
Total expenses		455,375	532,729	862,182	1,026,000
Other Items					
Change in fair value of investment	4	(14,175)	41,055	(35,000)	44,625
Interest and other income	4	-	9,250	207	16,969
		(14,175)	50,305	(34,793)	61,594
Net loss for the period		(137,781)	(332,006)	(383,137)	(617,128)
Other Comprehensive loss					
Currency translation adjustment		(6,686)	38,242	(24,568)	17,627
Comprehensive loss for the period		(144,467)	(293,764)	(407,705)	(599,501)
Loss per share - basic and diluted	2,9	**$ (0.01)**	**$ (0.02)**	**$ (0.03)**	**$ (0.04)**
Weighted average number of common shares outstanding for the period - basic and diluted	2,9	**15,315,628**	**15,190,606**	**15,315,628**	**15,190,606**

See accompanying notes to the condensed consolidated interim financial statements

XR Immersive Tech Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Deficit
(Expressed in Canadian dollars, except as otherwise indicated)

		Share Capital [1]		Reserve					
	Notes	Number of Shares	Amount	Contributed Surplus	Warrants	Total Reserve	Accumulated other comprehensive income	Deficit	Total
Balance at January 1, 2023		**15,190,628**	**$ 6,465,971**	**$ 760,756**	**$ 1,041,840**	**$ 1,802,596**	**$ 13,517**	**$ (11,060,779)**	**$ (2,778,695)**
Share-based payments - options	9	-	-	153,104	-	153,104	-	-	153,104
Currency translation adjustment		-	-	-	-	-	(17,627)	-	(17,627)
Net loss for the period		-	-	-	-	-	-	(617,128)	(617,128)
Balance at June 30, 2023		**15,190,628**	**$ 6,465,971**	**$ 913,860**	**$ 1,041,840**	**$ 1,955,700**	**$ (4,110)**	**$ (11,677,907)**	**$ (3,260,346)**
Balance at January 1, 2024		**15,315,628**	**$ 6,487,222**	**$ 1,435,486**	**$ 1,067,725**	**$ 2,503,211**	**$ (5,367)**	**$ (14,924,518)**	**$ (5,939,452)**
Share-based payments - options	9	-	-	4,023	-	4,023	-	-	4,023
Equity portion of convertible debenture	8	-	-	-	-	38,122	-	-	38,122
Currency translation adjustment		-	-	-	-	-	24,568	-	24,568
Net loss for the period		-	-	-	-	-	-	(383,137)	(383,137)
Balance at June 30, 2024		**15,315,628**	**$ 6,487,222**	**$ 1,439,509**	**$ 1,067,725**	**$ 2,545,356**	**$ 19,201**	**$ (15,307,655)**	**$ (6,255,876)**

[1] Common share amounts have been retrospectively adjusted for all prior periods to reflect the Share Consolidation effected on November 8, 2023 (Note 2(c),16).

XR Immersive Tech Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian dollars, except as otherwise indicated)

	Six months ended June 30, 2024	2023
Operating activities		
Net loss for the period	$ (407,705)	$ (599,501)
Adjustments for non-cash items:		
Interest and accretion	315,312	290,636
Amortization and depreciation	-	111,560
Foreign exchange loss	24,378	27
Loss on change in fair value of investment	35,000	(44,625)
Share-based compensation	4,023	153,104
Changes in non-cash working capital items:		
Prepaids	-	18,031
Other receivable	-	(755)
Government sales tax receivable	32,934	6,864
Trade and other payables	49,286	3,812
Accrued liabilities	(125,359)	(11,210)
Deferred revenue	(56,742)	-
Net cash flows used in provided by operating activities	(128,873)	(72,057)
Investing activities		
Loan advanced	(37,500)	-
Net cash flows used in investing activities	(37,500)	-
Financing activity		
Proceeds from parent company	42,030	-
Repayments to parent company	(74,650)	-
Proceeds from convertible debenture, net of costs	248,661	-
Net cash flows provided by financing activity	216,041	-
Effect of foreign exchange rates on cash and cash equivalents	49,131	(35,254)
Increase in cash and cash equivalents	98,799	(107,311)
Cash and cash equivalents, beginning of the period	196,319	270,681
Cash and cash equivalents, end of the period	**$ 295,118**	**$ 163,370**

See accompanying notes to the condensed consolidated interim financial statements.

1. Nature of Operations and Going Concern

XR Immersive Tech Inc. (the "Company" or "XRI") affected a name change on February 3, 2022. The Company is 54.10% owned by Victory Square Technologies Inc. ("Victory Square" or "VST"). The Company is a Virtual Reality ("VR") location management and content licensing platform. The condensed consolidated Interim financial statements are comprised of financial statements of the Company and its wholly owned subsidiary Synthesis VR Inc. (Synthesis or "SVR"), a company existing pursuant to the Laws of the State of California.

On September 3, 2021, the Company's common shares commenced trading on the Canadian Securities Exchange ("CSE") under the symbol VRAR. On November 6, 2023, the Company changed its CSE trading symbol to VRAI.CN. The Company's registered and records office are located at Suite 401, 750 West Pender Street, Vancouver, British Columbia, V6C 2T7.

These condensed consolidated Interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2024, the Company had a working capital deficit of $717,441 (December 31, 2023 – $936,612) and an accumulated deficit of $15,307,655 (December 31, 2023 – $14,924,518). The Company does not have sufficient cash to sustain operations for the next twelve months without additional financing. The continued operations of the Company are dependent upon its ability to generate future cash flows and/or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due; however, they may not be at terms that are favorable to the Company. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These condensed consolidated Interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern, and such adjustments could be material.

2. Material Accounting Policies

These condensed consolidated Interim financial statements were authorized for issue on August 27, 2024, by the directors of the Company who have determined that there are no significant subsequent events to report, as of that date, other than those disclosed elsewhere in these condensed consolidated Interim financial statements.

a) Statement of Compliance

These condensed consolidated interim unaudited financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim unaudited financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended December 31, 2023.

b) Principles of Consolidation

The condensed consolidated Interim financial statements comprise the financial statements of the Company and its subsidiary Synthesis VR Inc. from acquisition on January 4, 2022, which also has a December year-end.

2. Material Accounting Policies (continued)

b) Principles of Consolidation (continued)

Intercompany transactions, balances, income and expenses, and gains or losses on transactions are eliminated on consolidation.

c) Basis of Preparation

The condensed consolidated Interim financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value, and are presented in Canadian dollars. The Canadian dollar is the functional currency of the Company. The functional currency of Synthesis is the US dollar.

On November 8, 2023, the Company completed a one-for-six (1:6) reverse share split of all of its issued and outstanding common shares (“Share Consolidation”), resulting in a reduction in the issued and outstanding shares from 91,143,641 to 15,190,628. Shares reserved under the Company’s equity and incentive plans were adjusted to reflect the Share Consolidation. All share and per share data presented in the Company’s condensed consolidated Interim financial statements have been retroactively adjusted to reflect the Share Consolidation unless otherwise noted.

3. Cash and Cash Equivalents

As at June 30, 2024, the cash balance of $295,118 (December 31, 2023 - $196,319) was comprised entirely of cash held in operating accounts and balances held on payment processing platforms.

4. Investments

On May 4, 2022, AlphaGen Intelligence Corp. (formerly Alpha Metaverse Technologies Inc.) (“Alpha”) (CSE:AIC), a company traded on the CSE, completed the acquisition of 100% of the issued and outstanding share capital of Shape, a private entity. On closing of the acquisition, XRI received 700,000 Class A common shares of Alpha, of which 630,000 were restricted in escrow with scheduled release in equal instalments through January 4, 2024. The fair value loss of the investment for the period ended June 30, 2024, is $35,000 (June 30, 2023 – gain of $44,625) resulting in a fair value of $14,000 as at June 30, 2024 (December 31, 2023 - $49,000). Included in interest and other income for the period ended June 30, 2024 of $207 (June 30, 2023 – $16,969) is $Nil (June 30, 2023 - $16,750) defined in the Alpha acquisition as additional cash consideration, being the payment of $500,000 total to the Shape shareholders in aggregate, based on each shareholder’s pro rata interest, of which XRI held 5%.

(Expressed in Canadian dollars, except as otherwise indicated - unaudited)

5. Related Party Transactions and Balances

During the period ended June 30, 2024, and 2023, the Company entered into the following transactions with related parties:

		June 30, 2024		June 30, 2023
Professional fees for accounting, CFO, and corporate secretarial services recorded to company controlled by CFO	$	45,000	$	48,750
Wages and consulting fees paid to CEO and Director	$	87,500	$	75,000
Consulting fees - Director	$	75,000	$	75,000
General & administrative fees paid to company controlled by Director	$	83,418	$	102,371
Share based compensation to related parties	$	4,023	$	53,801

At June 30, 2024, the Company owes $219,255 (December 31, 2023 - $194,510) to related parties, included in trade and other payables of which $50,000 (December 31, 2023 - $12,500) is due to key management personnel. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment. Included in accrued liabilities is $50,000 (December 31, 2023 - $Nil) in compensation owed to the CEO.

Cumulative loans and advances from VST, amounting to $1,156,794 (December 31, 2023 - $1,161,913) presented as due to parent on the condensed consolidated interim statement of financial position, are unsecured, non-interest bearing and matures on December 31, 2025. The amount is presented as a long-term liability on the condensed consolidated interim statement of financial position.

Related Party Loans

The amount due to former owners of SVR, $300,000 (December 31, 2023 - $300,000) presented in current liabilities as due to related parties on the consolidated statement of financial position, arose as a component of the acquisition of SVR and the Initial Purchase Price's Cash Consideration on First and Second Financing Payments. The amount is undiscounted and remains unpaid as of the condensed consolidated interim financial statement date.

6. Loan Payable

On December 17, 2021, the Company entered into a bullet loan agreement ("Westdale loan") for a principal amount of $3,000,000, maturing on the earliest of 180 days from the closing date and either a financing or business combination transaction. The loan bore interest at a rate of 12% per annum. As an inducement to the lender, 333,333 lender warrants were issued at an exercise price of $3.12 for a period of 4 years. Further, the loan is secured by a General Security Agreement over all of the Company's assets and property.

On August 31, 2022, the loan agreement was amended to extend the maturity date to August 31, 2024. The Company paid $72,986 in monthly interest through May 2022, but defaulted on the June, July, and August payments. The interest rate effective June 1, 2022, was increased to 15% from 12%, with interest accruing and payable on August 31, 2023. From September 1, 2023, until the maturity date, interest is payable monthly on the first Business Day of the month. In addition, in the amended agreement, the exercise price of the 333,333 lender warrants was changed from $3.12 per common share to $0.48 per common share. As an additional inducement for the lender to close the loan amendment agreement, the Company agreed to issue 500,000 RSUs, with 25% vesting on December 13, 2022, and the remainder vesting at 25% every 12 months (Note 9). No gain or loss was recorded as the amendment occurred subsequent to the original maturity date.

(Expressed in Canadian dollars, except as otherwise indicated - unaudited)

6. Loan Payable (Continued)

Interest and accretion expense and are being recognized over the loan period, with a total of $284,159 being recognized as interest and accretion expense during the period ended June 30, 2024 (June 30, 2023 - $285,757). Accrued coupon interest payable as at June 30, 2024, is $937,500 (December 31, 2023 - $712,500).

Balance, January 1, 2024	$	3,630,063
Interest and accretion		284,159
Balance, June 30, 2024	$	3,914,222

Westdale management has confirmed in writing that the lender will not demand repayment through August 31, 2025. Consequently, the balance is presented as a non-current liability.

7. CEBA Loan

The Canada Emergency Business Account (CEBA) loan, partially forgivable, originally launched on April 9, 2020, was intended to support businesses during the COVID-19 pandemic.

The outstanding balance as of January 18, 2024, converts to a non-amortizing term loan with full principal repayment due on December 31, 2026. Commencing January 19, 2024, the loan accrues interest of 5% per annum. The Company did not repay the loan before January 18, 2024, and is not eligible for the forgivable portion.

For the period ended June 30, 2024, the Company recognized interest and accretion on the CEBA loan of $1,470 (June 30, 2023 - $4,879) for an ending balance of $61,074 (December 31, 2023 - $59,604).

8. Convertible Debentures

The Company issued up to a maximum of $500,000 convertible debenture units to a group of subscribers, each consisting of one unsecured, non-redeemable debenture and one common share purchase warrant exercisable for common shares. The debenture units are offered at an issue price of the 10-day value weighted average price (“VWAP”) of the Company’s common shares for the 10 trading days immediately preceding the date of draw down. The debentures bear interest at 12% per annum from issue date payable semi-annually in arrears on June 30 and December 30 of each year. The debentures mature 36 months from closing date, with the option to extend or prepay upon agreement by both parties. The debentures are convertible at the holder’s option into common shares of the Company at a conversion price of $0.15 with accrued and unpaid interest up to conversion date payable in cash or additional common shares. Each warrant is exercisable to acquire one common share at an exercise price of $0.15 per share for a period of 36 months from the closing date.

On November 2, 2023, the Company drew on $250,000 in debentures at a VWAP price equivalent to 989,237 debenture units. The debenture was financed by way of a transfer of $190,000 in cash and the balance as repayment of amount due to parent. The fair value of the debt component of the debenture was determined at inception using the Company’s incremental borrowing rate of 23%. A total of $51,771, representing the difference between the discounted value of $198,229 and the proceeds received of $250,000, was allocated to the equity component. The amount allocated to equity was split between contributed surplus and warrant reserve based on the relative fair value of the warrants and conversion feature as determined using the Black-Scholes Option Pricing Model using the expected volatility (186%), dividend yield (0%), and life (3 years), and risk-free interest rate (4.15%).

(Expressed in Canadian dollars, except as otherwise indicated - unaudited)

8. Convertible Debentures (Continued)

On April 29, 2024, issued a $250,000 convertible debenture with the counterparty of the loan payable (Note 6). The instrument bears interest at 12% per annum payable semi-annually and matures 24 months from the date of issuance. The debenture is convertible into the Company's common shares at a conversion price equal to the 10-day volume weighted average price ("VWAP") less 20%. Further, the debenture is secured by a General Security Agreement over all of the Company's assets and property.

The fair value of the debt component of the debenture was determined at inception using the Company's incremental borrowing rate of 23%. A total of $38,122, representing the difference between the discounted value of $211,878 and the proceeds received of $250,000, was allocated to the equity component. Directly attributable costs of issuance of $1,339 are deducted from the proceeds.

Balance, January 1, 2024	$	200,260
Debt issued, net		248,661
Amount allocated to equity		(38,122)
Accretion expense		9,546
Balance, June 30, 2024	$	420,345

Included in accrued liabilities is $24,986 (December 31, 2023 - $4,849) of interest payable based on 12% per annum coupon rate. Included in interest and accretion expense is $29,683 (June 30, 2023 - $Nil) of interest expense.

9. Share Capital

Authorized Share Capital

Unlimited common shares without par value.

Issued Share Capital

As described under Note 2(c), on November 8, 2023, the Company completed a one-for-six (1:6) reverse share split of all of its issued and outstanding common shares. Shares reserved under the Company's equity and incentive plans were adjusted to reflect the Share Consolidation. All current and prior period share and per share data presented below has been retroactively adjusted to reflect the Share Consolidation unless otherwise noted.

At June 30, 2024, there were 15,315,628 common shares outstanding (December 31, 2023 – 15,315,628).

Reserve

Contributed surplus

The contributed surplus reserve includes items recognized as share-based payments expense.

Warrants

The warrant reserve records the fair value of warrants issued as part of financing transactions and for services.

(Expressed in Canadian dollars, except as otherwise indicated - unaudited)

9. Share Capital (continued)

Warrants

Warrant continuity for the period ended June 30, 2024 and December 31, 2023 was as follows:

	Lender Warrants	Finder Warrants	Convertible Debenture Warrants	Total
Balance, June 30 and January 1, 2024	333,333	161,055	989,237	1,483,626

The warrants outstanding as at June 30, 2024 are as follows:

Warrant	Exercise Price	Number of Shares Issuable upon Exercise	Weighted Average Remaining Contractual Life (Years)	Expiry Date
Lender Warrants	$0.48	333,333	1.47	December 17, 2025
Finder Warrants	$3.12	161,055	1.47	December 17, 2025
Convertible Debenture Warrants	$0.15	989,237	2.34	November 2, 2026
		1,483,626		

Stock Options

The stock options vest according to specific terms on each employee, consultant, or director's stock option agreements.

As of June 30, 2024, a total of 365,238 (June 30, 2023 – 432,733) stock options have vested. Total share-based compensation recorded for the period ended June 30, 2024, in relation to the vested stock options was $4,023 (June 30, 2023 - $153,104).

The Company has estimated a 0% forfeiture rate in 2024 and 2023. The following weighted average assumptions were used in calculating the fair value of stock options granted using the Black-Scholes Option Pricing Model:

	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)
Issued May 1, 2021	167%	0.92%	0%	5
Issued August 12, 2021	162%	0.91%	0%	5
Issued January 27, 2023	178%	3.65%	0%	2

The options outstanding at June 30, 2024, are as follows:

Exercise Price	Number of Shares Issuable and Exercisable	Weighted Average Remaining Contractual Life (Years)	Expiry Date
$1.50	266,667	1.84	May 1, 2026
$0.60	98,571	0.58	January 27, 2025
	365,238		

Stock options continuity for the period ended June 30, 2024, was as follows:

	Number of options
Balance, June 30 and January 1, 2024	365,239

9. Share Capital (continued)

Stock options cancelled are either due to expiry or forfeiture according to the terms of the Company's equity incentive plan and the circumstances of the optionee.

Restricted Share Units

In accordance with a loan amendment (Note 6), the Company issued 500,000 RSUs, with 25% vesting on December 13, 2022, and the remainder vesting at 25% every 12 months. As at June 30, 2024, 250,000 RSUs remain unvested.

10. Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument-related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and payment platforms. The cash is deposited in bank accounts in Canada and the US and industry leading payment processing platforms. As most of the Company's cash is held by two banks and two platforms there is a concentration of credit risk. This risk is managed by using banks and platforms that are a high credit quality financial institution as determined by rating agencies. Credit risk on cash is assessed as low.

b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All loans bear a fixed rate of interest, while all the financial assets are either non-interest earning or short-term in nature. The Company is not exposed to significant interest rate risks.

c) 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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's main source of funding has been loans from its parent company. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

(Expressed in Canadian dollars, except as otherwise indicated - unaudited)

10. Financial Risk Management (continued)

c) Liquidity risk (continued)

Contractual Obligations As at June 30, 2024	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Trade payables and accrued liabilities	$ 763,606	$ 763,606	$ -	$ -	$ -
Loan payable	3,937,500	-	3,937,500	-	-
Due to related party	300,000	300,000	-	-	-
Convertible debentures	524,986	-	524,986	-	-
Due to parent	1,156,794	-	1,156,794	-	-
CEBA loan and interest	69,000	-	69,000	-	-
Total Contractual Obligations	$ 6,751,886	$ 1,063,606	$ 5,688,280	$ -	$ -

d) Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not actively hedge its exposure to fluctuations in foreign exchange rates. The Company is exposed to a moderate level of foreign exchange risk.

e) Fair value

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. However, considerable judgment is required to develop certain of these estimates. Accordingly, these estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of each class of financial instruments are discussed below.

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Instruments carried at fair value are measured using level 3 inputs.

The Company's financial instruments consist of cash and cash equivalent, other receivable, investments, trade and other payables, accrued liabilities, loan payable including accrued interest, due to parent, CEBA loan and due to related parties. With the exception of investment measured at fair value through profit and loss, all financial instruments are measured at amortized cost. The carrying value of financial instruments approximates the fair value at June 30, 2024 and December 31, 2023.

11. Capital Management

The Company manages its cash as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its technology and products and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. The Company will require capital resources to carry its plans and operations through its current operating year. The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

12. Subsequent Event

The Company entered into a five-year non-cash, rent-to-purchase agreement effective July 1, 2024 with a Bulgarian company controlled by the former directors (the "Licensee") of the Company. Under the agreement, XRI, which currently owns SVR, agrees to license and let the Licensee operate all SVR business operations and use the SVR brand and platform for a period of five (5) years from July 1, 2024, for $4,500,000 ("Purchase Price) and the ability for it to purchase a license to the SVR brand within this time frame from XRI. The Licensee is thus granted the rights to operate under SVR, use the SVR website, manage, service and bill all the SVR clients on its own name.

In lieu of paying any license fees to XRI, the Licensee will need to comply with the following under this agreement:

a) The former directors will forego certain amounts due to them by XRI amounting to $441,392.
b) The former directors will transfer their shares totaling 2,047,620 shares in XRI at a price of $0.18 per share to a third party to be specified by XRI.
c) The Licensee commits to spend monthly an amount of $102, 147 in research and development activities of SynthesisVR.
d) XRI has signed SVR-specific content partnership contracts with certain entities that bring their own obligations to XRI. XRI shall transfer those contracts to the Licensee with immediate effect upon this agreement becoming effective.

Further, XRI shall pay the payroll taxes and fines owed to Canada Revenue Agency by one of the former directors by December 31, 2024

The value of the former directors' relinquished claims and shares will act as an initial payment and cover the first year of licensing costs for XRI to transfer the rights to operate and license SVR to the Licensee. The full ownership to license SVR brand will be transferred to the Licensee, once it has paid a total amount of $4,500,000, including all initial and subsequent payments made or relinquished by the former directors, investments made in the daily SVR operations, research and development and proceeds from the share sale based on its floating value.