MANAGEMENT DISCUSSION AND ANALYSIS FOR XR IMMERSIVE TECH INC.

Nine months ended September 30, 2024, and 2023

Expressed in Canadian dollars

Contents

This management's discussion and analysis (this "**MD&A**") of the performance, financial condition, and results of operations of XR Immersive Tech Inc. ("XRI", or the "Company", "we" and "our"), should be read in conjunction with the Company's condensed interim financial statements and the related notes thereto for the nine months ended September 30, 2024 (the "2024 Financial Statements"), as well as the audited annual consolidated financial statements and related notes thereto for the twelve months ended December 31, 2023 (the "**2023 Financial Statements**"). The Company's reporting currency is the Canadian dollar, and all dollar amounts in this MD&A are expressed in Canadian dollars, unless otherwise specified. Unless otherwise indicated, the information contained in this MD&A is as of November 29, 2024.

The financial information of the Company contained in this MD&A is derived from the 2024 and 2023 Financial Statements, which were prepared in accordance with International Accounting Standards using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

Additional information relating to the Company, including the Financial Statements, is available at www.sedarplus.ca.

Forward Looking Information

This MD&A includes certain "forward-looking information" within the meaning of applicable Canadian securities legislation. All information, other than information regarding historical facts, included in this MD&A that addresses activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's and its equity investees' businesses, operations, plans and other such matters is forward-looking information.

When used in this MD&A, the words "estimate", "plan", "anticipate", "expect", "intend", "believe", "will", "should", "could", "may" and similar expressions are intended to identify forward-looking information. This 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 such forward-looking information.

The forward-looking information may include statements regarding:

- timelines;
- strategic plans;
- the business and operations of the Company;
- the Company's business objectives and discussion of trends affecting the business of the Company;
- the funds available to the Company and the principal purposes of those funds;
- anticipated revenues and cash flows from operations and funding requirements of the Company;
- capital, operating and general expenditures;
- expectations regarding the ability to raise capital.
- anticipated revenues to be realized by the Company from future contracts;
- treatment under governmental regulatory regimes and expectations with respect to regulatory approvals; and
- other forward-looking information including, but not limited to, information concerning the intentions, plans and future actions of the Company.

Forward looking information is based on reasonable assumptions, estimates, analysis, and opinions of management made considering its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such information is made available. Forward looking information is inherently subject to known and unknown risks and uncertainties and other factors that may cause the actual results, level of activity, performance, or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, or intended, including the factors and risks described or referred to elsewhere herein, as well as unanticipated and/or unusual events. Many of such factors are beyond the Company's ability to predict or control. Risks and uncertainties that may affect forward-looking information herein include, but are not limited to, those which relate to:

- the need to obtain additional financing and uncertainty as to the availability and terms of future financing;
- the ability to acquire funds necessary for general working capital and continuing operations;
- reliance on Parent Company or sale of equity or investments to access funds required;
- the possibility that opportunities will arise that require more cash than the Company has or can reasonably obtain;

- uncertainties associated with business opportunities that may be presented to, or pursued by the Company;
- the Company's operations and profitability may be adversely affected by competition from other similar entities;
- uncertainties related to early stage of technology and product development; uncertainties related to regulatory regimes and laws;
- dependence on key personnel;
- fluctuations in the currency markets and stock market volatility;
- going concern considerations;
- conflicts of interest;
- competition for, among other things, capital, acquisitions, equipment, and skilled personnel;
- operating or technical difficulties in connection with business activities.
- the possibility of cost overruns or unanticipated expenses; and
- the other factors discussed under "*Risks and Uncertainties*".

Should one or more of these risks or uncertainties materialize, or should the assumptions set out in the section titled "*Risks and Uncertainties*" underlying those forward-looking statements prove incorrect, actual results may vary materially from those described herein. These forward-looking statements are made as of the date of this MD&A, and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law.

Introduction to the business

The Company is a Virtual Reality ("VR") location management and content licensing platform.

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. The Company's registered office is at Suite 401, 750 West Pender Street, Vancouver, British Columbia, V6C 2T7.

On July 1, 2024, the Company entered into a five-year non-cash, rent-to-purchase agreement with a Bulgarian company controlled by former directors; which resulted in the deconsolidation of the Company's former subsidiary Synthesis VR Inc.

Material transactions

Deconsolidation of Synthesis

On July 1, 2024, the Company entered into a five-year non-cash, rent-to-purchase agreement with a Bulgarian company controlled by former directors, (the "Licensee") of the Company and founders of Synthesis. Under the agreement, XRI, which currently owns Synthesis, agreed to license and let the Licensee operate all of Synthesis' business operations and use the Synthesis brand and platform for a period of five years from July 1, 2024, for $4,500,000 ("Purchase Price") and the ability for it to purchase the Synthesis brand within this time frame from XRI. The Licensee was granted the rights to operate under Synthesis, use the Synthesis website, manage, service and bill all the Synthesis clients using its own name. In lieu of paying any license fees to XRI, the Licensee shall comply with all of the agreement terms outlined below:

a) The former directors forwent certain amounts due to them by XRI amounting to $441,392, comprised of:
   (i) $300,000 due to the former directors from the acquisition of SVR by XRI;
   (ii) $100,000 for unpaid salary;
   (iii) $37,000 for interest on deferred payments; and
   (iv) $4,392 of payroll taxes owed to Canada Revenue Agency on payroll withholdings.
b) The former directors will transfer 2,047,620 of their common shares in XRI at a price of $0.18 per share to a yet to be determined third party to be specified by XRI;
c) The Licensee commits to spend $102,147 per month on research and development activities of SynthesisVR;
d) XRI has signed Synthesis-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; and
e) Inter-company liability of $570,496 due to Synthesis was extinguished.

The value of the former directors' relinquished claims and shares acted as an initial payment and covered the first year of licensing costs for XRI to transfer the rights to operate and license Synthesis to the Licensee. The full ownership to license the Synthesis 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 Synthesis operations, research and development, and proceeds from the share sale based on its floating value.

As a result of the aforementioned Synthesis agreement, the Company recognized a $275,987 loss on deconsolidation of subsidiary.

Loans Payable

On April 29, 2024, the Company issued a promissory note payable to Westdale ("Westdale loan #2) upon receipt of $250,000 which bears interest at 12% per annum payable semi-annually and matures 24 months from the date of issuance. The promissory note payable is secured by a General Security Agreement over all of the Company's assets and property.

The fair value of the $250,000 Westdale loan #2 was determined using the Company's incremental borrowing rate of 23%. A total of $38,122, representing the difference between the discounted value of $210,540 and the proceeds received of $250,000, was allocated to the equity component of the promissory note payable. Directly attributable costs of issuance of $1,338 was deducted from the proceeds.

Conversion, issuance and settlement of promissory notes payable

On July 1, 2024, the Company issued $250,000 of promissory notes payable in consideration for prepaid marketing fees paid to a third-party on behalf of the Company. The fair value of the note was $200,772 and the $49,228 equity component being allocated to contributed surplus. The fair value of these promissory notes payable was determined using the Company's incremental borrowing rate of 23%.

In September 2024, $250,000 of convertible debentures were converted into promissory notes payable.

On September 27, 2024, the Company executed debt settlement and subscription agreements, whereby the Company issued 3,562,374 Units to settle $500,000 of promissory notes payable. Each Unit was comprised of one common share and one share purchase warrant exercisable at $0.15 per share until September 27, 2027. The Company calculated a fair value of $251,709 for common shares and $248,291 for warrants based on the relative fair value method. The promissory notes payable had a carrying value of $414,512 plus $34,356 interest payable, resulting in a $51,132 loss on settlement of promissory notes payable. The $25,886 fair value of the previously issued 989,237 convertible debenture warrants was transferred from warrant reserves to contributed surplus.

A total of $438,877 of interest and accretion were recognized on promissory notes payable during the period ended September 30, 2024 (September 30, 2023 - $431,163). Accrued coupon interest payable as at September 30, 2024, is $1,062,123 (December 31, 2023 - $712,500).

Selected Financial Information

	As at September 30, 2024	As at December 31, 2023
Current assets	299,209	225,416
Non-current assets	10,500	49,000
Total assets	309,709	274,416
Currrent liabilities	4,990,103	1,162,028
Non-current liabilities	1,370,302	5,051,840
Total liabilities	6,360,405	6,213,868

	Nine months ended September 30, 2024	2023
Total revenue	718,767	543,091
Net loss for the period	(707,984)	(1,061,482)
Loss on deconsolidation of subsidiary	(275,987)	-
Comprehensive loss	(732,552)	(1,060,230)
Net loss per share, basic and diluted	(0.03)	(0.06)

Discussion of Operations

During the nine months ended September 30, 2024 (“2024”), the Company reported a comprehensive loss of $732,552 compared to $1,060,230 during the nine months ended September 30, 2023 (“2023”).

The Company recognized a $324,847 comprehensive loss in the three months ended September 30, 2024 (“Q3-2024”) compared to $460,729 during the three months ended September 30, 2023 (“Q3-2023”).

The decreases in comprehensive loss of $327,678 from 2023 to 2024, and $135,882 from Q3-2023 to Q4-2024 are primarily attributed to the following items:

REVENUE

Revenue for Q3-2024, was $203,273, compared to $186,949 in Q3-2023. During 2024, revenue was $718,767, compared to $543,091 in 2023. On July 1, 2024, the Company executed a rent-to-purchase sales agreement with a Bulgarian company, which resulted in the deconsolidation of Synthesis. In Q3-2024 the Company earned $202,743 from licensing the Synthesis brand and platform to the Bulgarian company. The Company’s sales in 2024 increased as a result of the execution of the rent-to-purchase sales agreement, gaining more customers and game play relative to 2023. During 2023, the Company ceased legacy operations and experienced a decline of approximately 10% in SVR’s revenue.

As at September 30, 2024, the Company has $234,257 (December 31, 2023 - $Nil) reported as a licensing agreement liability related to the rent-to purchase sales agreement. License revenue from Synthesis' business operations is recognized over the contract term as performance obligations are completed. The licensing agreement liability will be extinguished as license revenue is earned.

EXPENSES

Expenses for Q3-2024, were $298,463 compared to $604,232 for Q3-2023. For 2024, expenses were $1,160,645 compared to $1,630,232 in 2023.

Material variances over the comparable periods are discussed below.

Amortization and depreciation

Amortization and depreciation expense for Q3-2024, was $Nil compared to $55,781 for Q3-2023. For 2024, amortization and depreciation expense was $Nil compared to $167,341 in 2023. Amortization in 2023 related to intangible assets acquired as part of the SVR acquisition. These intangible assets were fully impaired in the year ended December 31, 2023.

Consulting fees

Consulting fees for Q3-2024, were $Nil compared to $58,855 in Q3-2023. For 2024, consulting fees were $144,777 compared to $131,332 in 2023. On June 28, 2024, the Company's former CEO resigned which eliminated consulting fees in Q3-2024. Consulting fees in 2024 and 2023 are comprised of software consulting services and the development of AI driven projects.

General and Administration

General and administration expenses for Q3-2024, were $7,994 compared to $41,155 in Q3-2023. For 2024, general and administration expenses were $166,079 compared to $296,951 in 2023. The $130,872 decrease in general and administrative expenses from 2023 to 2024 is due to the legacy XRI business operations and associated administrative expenses winding down in early 2023, reduced SVR development costs until the elimination of those development expenditures when SVR was deconsolidated from XRI.

Interest and accretion

Interest and accretion for Q3-2024, was $219,846 compared to $148,068 in Q3-2023. During 2024, interest and accretion was $535,078 compared to $438,704 in 2023. Interest and accretion of $535,078 in 2024 are comprised of $438,877 on promissory notes payable, $42,905 on convertible debentures, $2,474 on the CEBA loan, and $50,822 related to Employer Health Tax. Since 2023, the Company obtained more debt financing which resulted in higher accretion and interest expense.

Professional fees

Professional fees for Q3-2024, were $36,161, compared to $236,861 in Q3-2023. During 2024, professional fees were $133,804 compared to $310,176 in 2023. The decrease in professional fees is primarily attributed to a quarterly accrual for audit fees which had not been accrued in the comparative periods.

Salaries and Wages

Salaries and wages for Q3-2024, were $31,178 compared to $39,082 in Q3-2023. For 2024, salaries and wages were $108,267 compared to $126,370 in 2023. Salaries and wages in Q3-2024 are attributed to Employer Health Tax assessed on prior years' British Columbia payroll. The $18,103 decrease in salaries and wages from 2023 to 2024 is mainly related to the June 28, 2024 resignation of the Company's former CEO.

Sales and Marketing

Sales and marketing for Q3-2024, were $2,430 compared to $1,832 in Q3-2023. For 2024, sales and marketing were $43,306 compared to a cost recovery of $17,071 in 2023. The current period increases are predominantly related to attending and presenting at an industry trade event in Las Vegas. In 2023, the Company derecognized the remaining balance of a payable related to capital markets marketing for services that were terminated.

Share-Based Compensation

Share-based compensation for Q3-2024, was $Nil compared to $21,653 in Q3-2023. During 2024, the Company recognized $4,023 (Q3-2023 - $174,757) in share-based compensation. The current period decreases are due to most of the previously granted options expiring, being forfeited or fully vested with the expense being recognized in full before the start of Q3-2024.

Appointment and Resignations

On June 28, 2024, the Company's CEO and Director, former principals of SVR, resigned their positions with the Company, with the CFO being named the interim CEO.

On September 30, 2024, the Company announced the resignation of Mr. Shafin Diamond Tejani from the Board of Directors.

The Company is deeply appreciative of the former CEO and Directors' valuable contributions and wish them continued success in their future endeavors.

On September 30, 2024, the Company announced the appointment of Mr. Shawn Mayzes to the Board of Directors. Mr. Mayzes is widely recognized for his ability to align technology with overarching business goals, driving impactful results that enhance growth and operational efficiency. With experience as a Technical Leader in both startups and established companies, Mr. Mayzes has consistently demonstrated his talent for guiding teams through complex technological landscapes while delivering measurable business outcomes.

Summary of Quarterly Results

The following information is derived from quarterly financial information:

Fiscal Quarter Ended	Revenue (reduction)	Net Loss for the Period	Basic and Diluted Loss Per Share
September 30, 2024	203,273	(324,847)	(0.00)
June 30, 2024	333,425	(137,781)	(0.01)
March 31, 2024	182,069	(245,356)	(0.02)
December 31, 2023	(21,517)	(2,802,257)	(0.18)
September 30, 2023	186,949	(444,354)	(0.02)
June 30, 2023	155,137	(332,006)	(0.02)
March 31, 2023	201,005	(285,122)	(0.02)
December 31, 2022	226,578	(2,257,455)	(0.15)

Discussion of movements between quarters are as follows:

- Q3 2024 – decreased revenue as a result of licensing the Synthesis brand and platform to a company in Bulgaria, no revenue from Synthesis as it was deconsolidated on July 1, 2024, an increase in net loss due to a loss on deconsolidation of Synthesis, and higher interest and accretion expenses from debt instruments.
- Q2 2024 – increased revenue due to increase in sales in SVR, with a decrease in net loss due to lower administrative expenses from the cessation of legacy business operations, offset by higher interest and accretion expenses from debt instruments.
- Q1 2024 - revenue fairly consistent with first three quarters of 2023, with net loss decreasing, reflecting the absence of legacy business expenses.
- Q4 2023 – revenue lower in final quarter of 2023 due to an increase in game license fees, with net loss remaining in line with previous three quarters of 2023 reflecting absence of legacy business expenses.
- Q3 2023 – revenue consistent with first two periods of 2023, with net loss primarily due to non-operating expenses of amortization of intangible assets and interest and accretion expense.
- Q2 2023 – decrease in revenue and increase in net loss due to the effective termination of the legacy XRI business by the end of 2022, with an increase in development expenses in SVR classified within general and administrative expense.
- Q1 2023 – decrease in net loss due to the effective termination of the legacy XRI business by the end of 2022, with revenue remaining consistent in SVR over the previous quarters.
- Q4 2022 – decrease in revenue primarily due to completion of most of the legacy immersive experience revenue earned prior to the fourth quarter, while Synthesis revenue remained consistent. Net loss due to large transactions at year end related to goodwill impairment, amortization and other items.

Liquidity

At September 30, 2024, the Company had total current assets of $299,209 (December 31, 2023 - $225,416) comprised of $6,912 (December 31, 2023 - $196,319) in cash, $287,850 (December 31, 2023 – $438) in prepaids and other receivable, and $4,447 (December 31, 2023 - $28,659) in government sales tax receivable. Conversely, the Company had total current liabilities of $4,990,103 (December 31, 2023 - $1,162,028) comprised of $535,271 (December 31, 2023 - $527,894) in trade and other payables, $158,453 (December 31, 2023 - $334,134) in accrued liabilities, and $Nil (December 31, 2023 - $300,000) in amounts due to related parties, and $4,062,122 (December 31, 2023 - $Nil) in current portion of loans payable.

As at September 30, 2024 the Company had a working capital deficiency of $4,690,894 (December 31, 2023 - $936,612).

The Company's ability to meet its obligations and activities over the long term depends on its ability to generate cash flow through the issuance of common shares of the Company pursuant to equity financing and short-term or long-term loans. Capital markets may not be receptive to offerings of new equity from treasury or debt, whether by way of private placements or public offerings. The Company has cash flow from operations but is dependent upon raising financing to sustain its operations.

Capital Resources

As at November 29, 2024 and September 30, 2024, the Company has 18,878,002 outstanding common shares. The Company has 266,667 stock options exercisable at $1.50 per share until May 1, 2026, and 98,572 stock options exercisable at $0.60 until January 27, 2025. There are also 333,333 lender warrants exercisable at $0.48 per share until December 17, 2025, 161,055 finder warrants exercisable at $3.12 per share until December 17, 2025, and 3,562,374 settlement warrants exercisable at $0.15 per share until September 27, 2027.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial performance or financial condition, including with respect to revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Transactions Between Related Parties

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

		September 30, 2024		September 30, 2023
Professional fees for accounting, CFO, and corporate secretarial services recorded to company controlled by CFO	$	67,500	$	60,000
Wages and consulting fees paid to former CEO and Director	$	87,500	$	116,500
Consulting fees - former Director	$	75,000	$	90,200
General & administrative fees for a company controlled by former Director	$	83,418	$	-
Share-based compensation to related parties	$	4,023	$	58,745

Related Party Balances

At September 30, 2024, the Company owes $168,246 (December 31, 2023 - $194,510) to related parties, which is included in trade and other payables and $Nil (December 31, 2023 - $12,500) due to former key management personnel. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Cumulative loans and advances from VST are presented as due to former parent, are unsecured, non-interest bearing and mature on December 31, 2025. The amount is presented as a long-term liability on the condensed interim statement of financial position.

		September 30, 2024		December 31, 2023
Due to Victory Square	$	1,092,194	$	1,161,913

Related Party Loans

The amount due to former owners of Synthesis previously presented in current liabilities as due to related parties on the condensed interim statement of financial position, arose as a component of XRI's acquisition of Synthesis, and the Initial Purchase Price's Cash Consideration on First and Second Financing Payments. On July 1, 2024, the $300,000 balance was extinguished as part of the rent-to-purchase agreement.

	September 30, 2024	December 31, 2023
Due to related parties	-	300,000

Critical Accounting Estimates

The Company's material accounting policies are presented in Note 2 in the notes to the audited annual financial statements dated December 31, 2023. The preparation of these unaudited condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period presented and reported amounts of expenses during the same period. Actual outcomes could differ from these estimates. The financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates may require accounting adjustments based on future occurrences. Any revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods if the revision affects the future. 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 at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities if actual results differ from assumptions made include, but are not limited to, the following:

- The preparation of the condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, 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 of making 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 future periods if the revision affects both current and future periods.
- Critical judgements are made regarding assessment of impairment to the carrying value of the Company's assets.
- At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognized in the condensed interim statement of loss and comprehensive loss for the period.
- Changes in any of the assumptions used in impairment testing could materially affect the result of the analysis.

Changes in Accounting Policies including Initial Adoption

At the date of the MD&A, certain new standards and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first year beginning after the effective date of the pronouncement. New standards, interpretations and amendments not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

Financial Instruments and Other Instruments

Fair value

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies, as disclosed below. 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 different levels for valuation of financial instruments carried at fair value 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).

Quoted market prices for an identical asset or liability represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the use of significant unobservable inputs are considered Level 3.

Cash is measured using Level 1 inputs. Instruments carried at fair value are measured using level 3 inputs.

The Company's financial instruments consist of cash, other receivable, government sales tax receivable, trade payables and accrued liabilities, loans payable, CEBA loan, and related party balances. The carrying value of financial instruments approximates the fair value at September 30, 2024 and December 31, 2023. The carrying value of the loan payable approximates its fair value since it was calculated using the Company's borrowing rate although the terms of the loan are below market. The carrying values of the amounts due from related parties approximates their fair values since they were recorded at fair value at inception. With the exception of contingent consideration measured at fair value through profit and loss, all financial instruments are measured at amortized cost.

Other Risks and Uncertainties

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:

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. The cash is deposited in a bank account in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a bank that is a high credit quality financial institution as determined by rating agencies. Credit risk on cash is assessed as low. The Company's receivables consist of other receivable and government sales tax receivable. Based on the evaluation of receivables at September 30, 2024, the Company believes that its receivables are collectable.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

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, considering its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's main source of funding has been loans from related parties. 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.

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 hedge its exposure to fluctuations in foreign exchange rates. The Company is not exposed to significant foreign exchange risk.

The Company has limited capital resources and must rely upon private placements for cash required to make new investments and to fund the administration of the Company.

These risks may not be the only risks faced by the Company. Additional risks and uncertainties not presently known by the Company, or which are presently considered immaterial may also adversely impact the Company's business, results of operations and financial performance. The most significant risks and uncertainties faced by the Company are set out below.

Limited Operating History

The Company has limited operating history as a revenue producing entity. The Company and its business prospects must be viewed against the background of the risks, expenses, and problems frequently encountered by companies in the early stages of their development, particularly companies in new and rapidly evolving markets. There is no certainty that the Company will be able to operate profitably.

Going-Concern Risk

The Company's financial statements have been prepared on a going-concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing equity or debt financing or in achieving profitability. The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

Negative Cash Flow

The Company has a limited history of operations, and very little history of earnings, cash flow or profitability. The Company has had negative operating cash flow since the Company's inception, and the Company will continue to have negative operating cash flow for the foreseeable future. No assurance can be given that the Company will ever attain positive cash flow or profitability or that additional funding will be available for operations.

Additional Requirements for Capital

Substantial additional financing may be required if the Company is to be successful in developing their current business strategy. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future operations. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated investments.

Technology Sector Risk

General risks of technology companies include the risks of rapidly changing technologies, short product life cycles, fierce competition, aggressive pricing and reduced profit margins, loss of patent, copyright and trademark protections, cyclical market patterns, evolving industry standards and frequent new product introductions.

Regulatory Risks

Changes in or more aggressive enforcement of laws and regulations could adversely impact companies involved in the technology sector. Failure or delays in obtaining necessary approvals, changes in government regulations and policies and practices could have an adverse impact on such businesses' future cash flows, earnings, results of operations and financial condition.

Intellectual Property Rights

Companies involved in the development and operation of certain technologies may be dependent on intellectual property rights; the loss of which could harm its business, results of operations and its financial condition. There can be no assurance that any company's products will not violate proprietary rights of third parties or that third parties will not assert or claim that such violation has occurred. Any such claims and disputes arising may result in liability for substantial damages which in turn could harm the underlying business, results of operations and financial condition.

Cyber Security Risks

The Company is dependent on information technologies to conduct its operations, including management information systems and computer control systems. Business and supply chain disruptions, plant and utility outages and information technology system and network disruptions due to cyber-attacks could seriously harm operations and materially adversely affect operation results. Cyber security risks include attacks on information technology and infrastructure by hackers, damage or loss of information due to viruses, the unintended disclosure of confidential information, the issue or loss of control over computer control systems, and breaches due to employee error.

The Company's exposure to cyber security risks includes exposure through third parties on whose systems it places significant reliance for the conduct of its business. There can be no assurance that the Company has the resources or technical sophistication to anticipate, prevent, or recover from rapidly evolving types of cyber-attacks. Compromises to its information and control systems could have severe financial and other business implications.

Competition

The market for similar technology is highly competitive on both a local and a national level. Competitors may also have longer operating histories or greater name recognition. There can be no assurance that any company will successfully differentiate its products from its competitors, or that the marketplace will consider one technology to be superior to others.

Key Personnel

The Company is dependent upon the continued availability and commitment of its management, whose contributions to immediate and future operations are of significant importance. The loss of any such management could negatively affect the Company's business operations. From time to time, the Company will also need to identify and retain additional skilled management to efficiently operate its business. Recruiting and retaining qualified personnel is critical to the Company's success and there can be no assurance of its ability to attract and retain such personnel. If it is not successful in attracting and training qualified personnel, the Company's ability to execute its business model and growth strategy could be affected, which could have a material and adverse impact on its profitability, results of operations and financial condition.

Conflicts of Interest

Certain of the Company's directors and officers may, from time to time, serve as directors or officers of other companies involved in similar businesses to the Company and, to the extent that such other companies may participate in the same ventures in which the Company may seek to participate, such directors and officers may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such conflicts of the Company's directors and officers may result in a material and adverse effect on the Company's results of operations and financial condition.

DISCLOSURE OF INTERNAL CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

INFORMATION AVAILABLE ON SEDAR

Additional information about the Company, including in the form of previously published financial statements, management discussion and analyses and press releases, is available on SEDAR+ at www.sedarplus.ca