MANAGEMENT DISCUSSION AND ANALYSIS FOR XR IMMERSIVE TECH INC.

Year ended
December 31, 2023, and 2022

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 annual consolidated financial statements and the related notes thereto for the year ended December 31, 2023, and 2022 (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 April 29, 2024.

The financial information of the Company contained in this MD&A is derived from the 2023 and 2022 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.

Letter from CEO

Dear Team,

I trust this message finds you all in good health and high spirits.

As we delve into this quarter's Management Discussion and Analysis (MD&A), I want to take a moment to reflect on the significant achievements and challenges that have defined our journey in the past year and take the opportunity on what to expect moving forward.

In the year ended December 31, 2023, the Company wound down its Uncontained business with the final project concluding in the period. The primary focus of XR Immersive has been the Synthesis VR ("SVR") business moving forward.

The Virtual Reality ("VR"), Augmented Reality ("AR"), and Mixed Reality ("MR") industry is in a constant state of flux evolving at a rapid pace. Technological advancements played a pivotal role, with VR hardware reaching new heights of sophistication and accessibility.

Filled with milestones, challenges, and growth, this past year has been a testament to our commitment to our customers, being in the forefront of technology and the ability to withstand the challenges that are taking place all over the world while innovating at the same time.

Key Achievements

- Foraying into Game Development: Following the success of Propagation: Top Squad, SynthesisVR partnered with WANADEV STUDIO in developing and launching PROPAGATION: TOP SURVIVORS!
- Local Manager: A state-of-the-art application to simplify management and content licensing.
- An agnostic platform that supports Android and Windows VR headsets
- Game Publishing and distribution.
- SynthesisVR platform overhaul
- VR Enterprise Training
- VR MDM (Mobile-Device-Management) services for Corporate/Enterprise customers: Currently adapting our services to be offered as SaaS on AWS Marketplace
- AI Powered Creative Agency: building products and content ranging from creating AI influencers to a new pilot film that uses AI to craft its visual effects.

What to look forward in 2024

- SynthesisVR is at the forefront of continuous innovation and the ability to support headsets running on various operating systems and the ability to support MR, AR and VR.
- Building out VR MDM (Mobile-Device-Management) services for Corporate/Enterprise customers: Currently adapting our services to be offered as SaaS on AWS Marketplace in order provide an end to end solution for Enterprise clients.
- Investing in Developing SVR proprietary content following the success of Propagation: Top Survivors with our next game planning to launch before summer.
- Establishing SVR as a Publisher.
- Building out VR Education, Training and R&D Library; it is much safer and cost effective to use VR to train professionals in the healthcare, architecture, automation, and aircraft design and many other industries, than to use real-life test fields.

- Artificial Intelligence (AI) applications for SVR and our partners. When it comes to LBVR studios, AI can be used to generate worlds and relatively random environments. This increases the replay ability value, and the world generation cost can be significantly reduced. It makes even more sense for XR games that use the camera's passthrough mode to add virtual elements to your actual environment. AI could better recognize the environment and generate obstacles and maps intact with your physical environment. This can be further improved by using asset generation through a more human-like AI. It has a similar use case for enterprise training and education. Developing a quality and detailed VR experience takes a lot of effort, AI is light-speeding the process.
- Introduce SVR turnkey solution and position SVR's turnkey solution as the premier choice for Room Scale and Free Roam arena gaming. What distinguishes this turnkey solution from others is its ease of transitioning between different types of experiences. Notably, it stands out for its capability to seamlessly operate both PC and Android-based headsets, allowing for versatile experiences. The system's unique ability to switch between operating systems enhances overall utilization and throughput, setting it apart in the market.

I want to express my gratitude to each one of you for your dedication, passion, and hard work. It is your collective effort that propels us forward and fuels our success.

Thank you for your commitment to excellence.

Best Regards,

A Shabeer Sinnalebbe
CEO
XR Immersive Tech Inc

Introduction to the business

XR Immersive Tech Inc. (the "Company") affected a name change on February 3, 2022. The Company is 54.10% owned by Victory Square Technologies Inc. ("Victory Square"). The Company is a leading location-based virtual reality ("LBVR") content distribution and facility management platform for location-based entertainment centers around the world.

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 office is at Suite 401, 750 West Pender Street, Vancouver, British Columbia, V6C 2T7. The head office and principal address of the Company is located at Suite 240, 577 Great Northern Way, Vancouver, British Columbia, Canada, V5T 1E1.

Overall Performance

The following key transaction was recorded in the financial statements of the Company for the year ended December 31, 2023; the Company granted 98,572 stock options to two consultants exercisable at $0.60 and expiring on January 27, 2025.

Selected Financial Information

	As at December 31, 2023	As at December 31, 2022
Current assets	225,416	400,233
Non-current assets	49,000	2,304,736
Total assets	274,416	2,704,969
Currrent liabilities	1,162,028	795,105
Non-current liabilities	5,051,840	4,688,559
Total liabilities	6,213,868	5,483,664

	Years ended December 31, 2023	2022
Total revenue	521,574	1,195,195
Net loss before tax	(4,127,799)	(6,057,705)
Comprehensive loss	(3,844,855)	(6,012,767)
Net loss per share, basic and diluted	(0.25)	(0.41)

Discussion of Operations

REVENUE

Revenue for the year ended December 31, 2023, was $521,574, compared to $1,195,195 for the year ended December 31, 2022. For the three months ended December 31, 2023, the Company recorded a reduction in revenue of $21,517 compared to revenue of $226,578 for the three months ended December 31, 2022. The decrease in revenue is due to the cessation of legacy operations of the Company as well as an approximately 10% decrease in SVR revenue. The quarterly negative variance was due to an increase in game license fees relative the increase in gross receipts as game license fees are netted against gross receipts resulting in an annual net total less than the amounts reported in the third quarter of 2023.

COST OF REVENUE

Cost of revenue for the year ended December 31, 2023, was $16,627 compared to $413,572 for the year ended December 31, 2022. For the three months ended December 31, 2023, cost of revenue was $7,192 compared to $86,552 for the comparative period. The SVR business accounts for game license expense netted in revenue, with no other expense included in the cost of revenue classification. The legacy business of XRI classified direct costs associated with project as cost of revenue. The decrease in the current period is due to the legacy XRI business winding down operations by the end of Q1 2023.

GROSS MARGIN

Gross margin for the year ended December 31, 2023, was $504,947 compared to $781,623 for the period ended December 31, 2022. For the three months ended December 31, 2023, the Company reversed gross margin by $28,709 compared to realizing a gross margin of $140,026 in the comparative period. Synthesis's revenue is reported net of game license fees and does not report cost of revenue separately. The comparative period included revenue from both Synthesis and the legacy XRI business.

EXPENSES

Expenses for the year ended December 31, 2023, were $2,740,390 compared to $5,120,131 for the year ended December 31, 2022. For the three months ended December 31, 2023, expenses were $1,087,939 compared to $705,247 for the comparative period.

Material variances over the comparable period are discussed below.

Consulting fees

Consulting fees for the year ended December 31, 2023, were $192,835 compared to $712,161 for the year ended December 31, 2022. For the three months ended December 31, 2023, consulting fees were $61,503 compared to $122,920 for the comparative period. The decrease in consulting fees in the current period was the result consulting resources employed in the comparative period related to the acquisition of SVR and the XRI legacy operations and the reclassification of the CEO's compensation from consulting to wages.

General and Administration

General and administration expenses for the year ended December 31, 2023, was $254,524 compared to $394.314 for the year ended December 31, 2022. For the three months ended December 31, 2023, general and administration expenses was $41,051 recovery compared to a recovery of $45,348 for the comparative period. These included the rent for the year ended December 31, 2023, which was $1,995 compared to $63,443 for the year ended December 31, 2022. For the three months ended December 31, 2023, rent was $619 compared to $3,213 for the comparative period.

The decrease in general and administrative expenses from the comparative period is due to the legacy XRI business operations and associated administrative expenses winding down in early 2023, as well as overall decrease in rent attributable to the Company vacating the leased premises by the third quarter of 2022, resulting in a lower base fee charged until the lease settlement was agreed upon in February 2023..

Management fees

Management fees for the year ended December 31, 2023, were $Nil compared to $200,000 in 2022. There were no management fees in the three months ended December 31, 2023, and 2022, respectively.

Professional fees

Professional fees for the year ended December 31, 2023, was $460,517 compared to $383,145 for the year ended December 31, 2022. For the three months ended December 31, 2023, professional fees were $150,341 compared to $6,998 for the comparative period. The increase in the current period is attributable to lower professional fees incurred for the accounting and legal fees paid in the current year for the Company in relation to the acquisition of Synthesis in the comparative year offset by significantly higher audit fees paid in the current year as compared to the previous year.

Interest and accretion

Interest and accretion for the year ended December 31, 2023, was $568,712 compared to $929,011 for the year ended December 31, 2022. For the three months ended December 31, 2023, interest and accretion was $130,008 compared to $162,493 for the comparative period. The overall decrease is attributable to the Company significantly lower accretion cost in the current year, compared to amortization of debt costs in the previous year relating to the Westdale loan and offset slightly by the amortization of debt costs relating to convertible debentures issued during the year 2023.

Research and development

Research and development for the year ended December 31, 2023, was $203,155 compared to $363,364 for the year ended December 31, 2022. For the three months ended December 31, 2023, research and development expenses were $202,455 compared to $83,072 for the comparative period. During the year ended December 31, 2021, the Company began incurring costs related to the UNCONTAINED™ project, both relating to the internal development of software as well as a physical, customized shipping container with equipment fixtures. Most of the costs were incurred in the 2021 fiscal year, with the remaining costs of the project incurred in the first half of 2022. This project is no longer a focus of the Company moving forward.

Salaries and Wages

Salaries and wages for the year ended December 31, 2023, were $157,021 compared to $1,086,348 for the year ended December 31, 2022. For the three months ended December 31, 2023, salaries and wages were $30,651 compared to $20,708 for the comparative period. The decrease in salaries and wages in the current year is due to the termination of all employees from the legacy XRI business, with only the CEO being classified as an employee in the current year.

Sales and Marketing

Sales and marketing adjustment for the year ended December 31, 2023, was $8,522 compared to $556,944 expense in the year ended December 31, 2022. For the three months ended December 31, 2023, sales and marketing expense was $25,593 compared to $266,029 for the comparative period. The overall decrease in the current year is attributable to the costs associated with investor relations and to market the UNCONTAINED™ project being incurred in the comparative year in anticipation of the completion and launch of this project. In the current period, an investor relations trade payable recorded in the first half of 2022 was confirmed to not require further settlement and thus was reversed.

Share-Based Payments

Share-based payments were increased by $407,744 for the year ended December 31, 2023, compared to a $262,351 expense for the year ended December 31, 2022. For the three months ended December 31, 2023, share-based payments increased by $570,081 compared to a recovery of $74,743 for the comparative period. The overall increase in the current period is due to higher options vesting in the current period than in the comparative period.

Amortization and depreciation

Amortization and depreciation expense for the year ended December 31, 2023, was $223,120 compared to $240,695 for the year ended December 31, 2022. For the three months ended December 31, 2023, amortization and depreciation expense was $55,779 compared to $222,767 in the three months ended December 31, 2022. The increase is due to the amortization on the intangible assets acquired in the SVR transaction. The final valuation of the intangible assets acquired in the business combination was performed concurrently with the 2022-year end audit, and thus firstly recorded in the fourth quarter of 2022. The comparative period includes only amortization of fixed assets and computer equipment.

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
December 31, 2023	(21,517)	(2,802,257)	(0.18)
September 30, 2023	186,949	(444,354)	(0.03)
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)
September 30, 2022	443,613	(402,722)	(0.03)
June 30, 2022	348,328	(1,621,372)	(0.10)
March 31, 2022	176,676	(1,744,735)	(0.13)

Discussion of movements between quarters are as follows:

- 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.

- Q3 2022 – increased revenue due to the second full quarter of Synthesis operations included in the consolidated statement of operations as well as revenue earned on several legacy immersive experience projects ongoing during the quarter
- Q2 2022 – increased revenue due to the first full quarter of Synthesis operations included in the consolidated statement of operations
- Q1 2022 – increased revenue due to the Synthesis acquisition; increased costs as company started to scale.

Liquidity

At December 31, 2023, the Company had total current assets of $225,416 (December 31, 2022 - $400,233) comprised of $196,319 (December 31, 2022 - $270,681) in cash and cash equivalents, $438 in prepaids and other receivable (December 31, 2022 - $74,290), $28,659 (December 31, 2022 - $11,234) in government sales tax receivable, and $Nil (December 31, 2022 - $44,028) in inventory. Conversely, the Company had total current liabilities of $1,162,028 (December 31, 2022 - $795,105) comprised of $527,894 (December 31, 2022 - $475,755) in trade and other payables, $334,134 (December 31, 2022 - $19,350) in accrued liabilities, and $300,000 (December 31, 2022 - $300,000) in amounts due to related parties. Both the loan payable and due to parent were extended and are reported as non-current liabilities for the year ended December 31, 2022, and year ended December 31, 2023.

As at December 31, 2023 the Company had a working capital deficiency of $936,612 compared to a deficiency of $394,872 as at December 31, 2022.

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 April 29, 2024 and December 31, 2023, the Company has 15,315,628 outstanding common shares. The Company has 266,666 stock options exercisable at $1.50 until May 1, 2026 and 98,571 stock options exercisable at $0.60 until January 27, 2025. The Company has 333,333 lender warrants exercisable at $0.48 until December 27, 2025. An additional 161,055 finder’s warrants exercisable at $3.12 are exercisable until December 27, 2025.

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 year ended December 31, 2023, and 2022, the Company entered into the following transactions with related parties:

		December 31, 2023		December 31, 2022
CEO compensation included in wages expense	$	150,000	$	90,000
Management fee expense to Parent Company	$	-	$	200,000
Professional fees for accounting, CFO, and corporate secretarial services recorded to company controlled by CFO	$	90,000	$	112,987
General and administrative fees paid to company controlled by Director	$	102,523	$	63,719
Consulting fees paid to Director [1]	$	152,796	$	120,000
Compensation to former CEO	$	-	$	-
Share based compensation to related parties	$	63,989	$	69,437

Related Party Balances

At December 31, 2023, the Company has $194,510 (December 31, 2022 - $87,644) due to related parties included in trade and other payables. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Related Party Loans

		December 31, 2023		December 31, 2022
Due to Victory Square	$	1,161,913	$	1,145,650
Due to related parties		300,000		300,000
	$	1,461,913	$	1,445,650

Cumulative loans and advances from VST, presented as due to parent on the consolidated statement of financial position, are unsecured, non-interest bearing and have no fixed terms of repayment. Management of VST has formally notified the Company that VST will not demand repayment through the fiscal year ended December 31, 2024. Consequently, the balance is presented as a non-current liability.

The amount due to former owners of SVR, presented at 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 consolidated financial statement date.

Critical Accounting Estimates

The Company’s significant accounting estimates are presented in Note 2 in the notes to the audited annual financial statements. The preparation of these audited 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 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 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.

As at April 29, 2024, the Company reviewed the carrying value of its assets for indicators of impairment. After this review, it was determined that there were no indicators of impairment, and no additional impairments, over and above $2,043,435 in 2023, were recognized in the audited financial statements.

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 and cash equivalent, other receivable, government sales tax receivable, trade payables, loan payable, lease liability, CEBA loan, contingent consideration and related party balances. The carrying value of financial instruments approximates the fair value at December 31, 2023 and December 31, 2022. 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 trade receivables, due from related parties, and government sales tax receivable. Based on the evaluation of receivables at December 31, 2023, 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.