



# **Xigem Technologies Corporation**

## **Interim Condensed Consolidated Financial Statements**

For the three-month periods  
ended March 31, 2023 and 2022

*(Unaudited)*



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**Xigem Technologies Corporation**  
**Interim Condensed Consolidated Statements of Financial Position**  
**As at March 31, 2023 and December 31, 2022**  
*(Expressed in Canadian dollars)*  
*(Unaudited)*



	Note	March 31, 2023 \$	December 31, 2022 \$
<b>ASSETS</b>			
<i>Current</i>			
Cash		104,352	38,313
Accounts receivable	4	13,191	-
Indirect taxes recoverable		15,075	94,231
Share subscription receivable		150,000	200,000
Prepaid expenses		48,147	54,897
		330,765	387,441
Property and equipment	5	198,138	227,834
Intangible assets	6	887,492	-
		1,416,395	615,275
<b>LIABILITIES</b>			
<i>Current</i>			
Accounts payable and accrued liabilities		317,453	317,595
Promissory notes payable	7	51,250	-
		368,703	317,595
Deferred income tax		4,518	6,873
		373,221	324,468
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	4, 8	9,613,448	8,671,914
Warrant reserve	8	1,170,902	1,170,902
Options reserve	8	3,001,008	2,866,083
Deficit		(12,742,184)	(12,418,092)
		1,043,174	290,807
		1,416,395	615,275
Going concern	2 (a)		
Contingencies and commitments	14		

On behalf of the Board:

Brian Kalish

Director

# Xigem Technologies Corporation

## Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

For the three-month periods ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)



	Note	2023	2022
		\$	\$
<b>REVENUE</b>	4	<b>439,684</b>	-
<b>DIRECT COSTS</b>	4	<b>426,493</b>	-
<b>GROSS MARGIN</b>		<b>13,191</b>	-
<b>EXPENSES</b>			
Share-based payments	8, 9	<b>184,010</b>	488,737
Management and consulting fees	9	<b>62,984</b>	17,860
Amortization	5, 6	<b>34,654</b>	208,163
Professional fees		<b>21,288</b>	31,638
Public filing fees		<b>14,225</b>	45,046
Insurance		<b>12,166</b>	4,375
Advertising and promotion		<b>3,837</b>	10,574
Investor relations		<b>3,687</b>	27,706
Dues and subscriptions		<b>1,510</b>	7,686
Interest and bank charges		<b>1,277</b>	2,109
		<b>339,638</b>	843,894
<b>OTHER ITEMS</b>			
Loss on non-consummated asset acquisition	8(c)	-	2,362,322
		-	2,362,322
<b>LOSS BEFORE INCOME TAXES</b>		<b>(326,447)</b>	<b>(3,206,216)</b>
<b>INCOME TAXES</b>			
Current		-	-
Deferred		<b>(2,355)</b>	-
		<b>(2,355)</b>	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>		<b>(324,092)</b>	<b>(3,206,216)</b>
<b>LOSS PER SHARE</b>			
Basic	10	<b>(0.014)</b>	(0.234)
Diluted	10	<b>(0.014)</b>	(0.225)

**Xigem Technologies Corporation**  
**Interim Condensed Consolidated Statements of Changes in Equity**  
For the three-month periods ended March 31, 2023 and 2022  
*(Expressed in Canadian dollars)*  
*(Unaudited)*



	Note	Share capital #	Share capital \$	Warrant reserve \$	Options reserve \$	Deficit \$	Total equity \$
Balance, as at December 31, 2021		8,517,765	5,829,812	1,060,646	1,431,500	(6,190,511)	2,131,447
Common shares issued on exercise of options		329,060	138,500	-	(118,500)	-	20,000
Acquisition of Cylix Data		6,470,000	2,252,066	110,256	-	-	2,362,322
Share-based payment		-	-	-	488,737	-	488,737
Net loss and comprehensive loss		-	-	-	-	(3,206,216)	(3,206,216)
<b>Balance, as at March 31, 2022</b>		<b>15,316,825</b>	<b>8,220,378</b>	<b>1,170,902</b>	<b>1,801,737</b>	<b>(9,396,727)</b>	<b>1,796,290</b>
Balance, as at December 31, 2022		19,832,210	8,671,914	1,170,902	2,866,083	(12,418,092)	290,807
Acquisition of EAFdigital Inc.	4	9,816,968	941,534	-	-	-	941,534
Share-based payment	8(d)	-	-	-	134,925	-	134,925
Net loss and comprehensive loss		-	-	-	-	(324,092)	(324,092)
<b>Balance, as at March 31, 2023</b>		<b>29,649,178</b>	<b>9,613,448</b>	<b>1,170,902</b>	<b>3,001,008</b>	<b>(12,742,184)</b>	<b>1,043,174</b>

**Xigem Technologies Corporation**  
**Interim Condensed Consolidated Statements of Cash Flows**  
For the three-month periods ended March 31, 2023 and 2022  
*(Expressed in Canadian dollars)*  
*(Unaudited)*



	Note	2023 \$	2022 \$
<b>OPERATING ACTIVITIES</b>			
Net loss and comprehensive loss		(324,092)	(3,206,216)
<i>Items not affecting cash:</i>			
Loss on non-consummated asset acquisition		-	2,362,322
Share-based payments		184,010	488,737
Amortization and impairment	5, 6	34,654	208,163
Interest expense	7	1,250	-
Finance costs and other		-	1,609
		(104,178)	(145,385)
<i>Changes in non-cash working capital balances:</i>			
Accounts receivable		(13,191)	-
Indirect taxes recoverable		79,155	(39,068)
Share subscription receivable		50,000	-
Prepaid expenses		6,750	4,375
Accounts payable and accrued liabilities		(142)	(151,473)
Deferred income tax		(2,355)	-
		120,217	(186,166)
		16,039	(331,551)
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of promissory notes	7	50,000	-
Proceeds from exercise of options	8	-	20,000
Payments on lease financing	7	-	(10,500)
		50,000	9,500
<b>Change in cash</b>		<b>66,039</b>	<b>(322,051)</b>
Cash, beginning of period		38,313	684,036
<b>Cash, end of period</b>		<b>104,352</b>	<b>361,985</b>



**1. General information**

Xigem Technologies Corporation ("Xigem" or the "Company") seeks to become a leading technology platform for the remote working economy. Using proprietary patented technology, the Company provides organizations with the infrastructure necessary to manage employees, assets, resources, and other business operations in remote working, learning and treatment environments.

The Company was incorporated under the Business Corporations Act of Ontario on June 15, 2020. The Company's registered head office is located at 70 Great Gulf Drive, Suite 67, Vaughan, Ontario, L4K 0K7, and its common shares are traded on the Canadian Securities Exchange under the symbol "XIGM".

On July 15, 2022, the Company announced a consolidation of its issued and outstanding share capital on the basis of one (1) new common share for every ten (10) outstanding common shares, and accordingly, the share capital and related amounts have been retroactively adjusted to account for the share consolidation.

**2. Basis of preparation**

a) Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The realizable values may be substantially different from their carrying values, as shown in these interim condensed consolidated financial statements. These interim condensed consolidated financial statements do not affect adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

As at March 31, 2023, the Company had an accumulated deficit of \$12,742,184 (2022 – \$12,418,092). The Company has not yet been able to generate positive cash flows from operations. Whether and when the Company can generate sufficient cash flows to pay for its expenditures and settle its obligations as they fall due after March 31, 2023, is uncertain.

To address the going concern risk, the Company continues to seek equity financing alternatives to support ongoing operations, monitor general and administrative expenses compared to budget, and optimize its operating processes.

b) Statement of compliance

The interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34 - Interim Financial Reporting, prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). These interim condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022. These interim condensed consolidated financial statements were approved by the Board of Directors on May 29, 2023.



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

c) Basis of consolidation

The interim condensed consolidated financial statements comprise the accounts of the Company and its controlled subsidiaries. The interim condensed consolidated financial statements of subsidiaries are included in the interim condensed consolidated financial statements from the date that control commences until the date that control ceases. The interim condensed consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all the following:

- power over the investee.
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

All transactions and balances between the Company and its subsidiaries are eliminated on consolidation, including unrealized gains and losses on transactions between companies.

The Company's material subsidiaries as at March 31, 2023 are as follows:

Name of subsidiary	Country of incorporation	Ownership percentage	Functional currency
Xigem Technology Solutions Inc.	Canada	100%	Canadian Dollar
1000145269 Ontario Inc.	Canada	100%	Canadian Dollar

d) Basis of presentation

The interim condensed consolidated financial statements are prepared on a going concern basis using the historical cost method, except for certain financial instruments that have been measured at fair value. In addition, these interim condensed consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The Company presents its classified consolidated statements of financial position distinguished between current and non-current assets and liabilities.

e) Significant judgments

The preparation of the Company's interim condensed consolidated financial statements under IFRS requires management to exercise judgment in applying the Company's accounting policies. Judgments made by management in the ongoing application of IFRS that have a significant effect on the interim condensed consolidated financial statements are outlined below:

i) *Going concern*

The Company applies judgment to determine whether there are material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.





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

e) Significant judgments (cont'd)

ii) *Non-financial assets*

The Company applies judgment to assess whether there are any indications that its non-financial assets may be impaired. This assessment requires an assessment of external, internal and other indicators at the end of each reporting period.

iii) *Provisions and contingencies*

The Company may encounter obligations arising from past events, which will only be confirmed by the occurrence or non-occurrence of future events not wholly within the control of the Company or where the obligation cannot be reliably estimated. The Company reviews such situations at each consolidated statement of financial position date and makes judgments on all information available to determine if an outflow of economic resources can be reliably estimated or not. If this is not possible, a contingency is reported for each material case.

iv) *Research and development costs*

Judgment is required to distinguish the research phase and the development phase to correctly identify costs that qualify for capitalization.

v) *Income taxes*

The Company applies judgment in determining the tax rates applicable to the temporary differences to determine the provision for income taxes. Deferred taxes relate to temporary differences between accounting and tax asset values. They are measured using tax rates that are expected to apply in the year when the asset is realized, or the liability is settled. Temporary differences are differences between accounting and tax asset values expected to be deductible or taxable in the future.

f) Use of estimates and assumptions

The preparation of the Company's interim condensed consolidated financial statements requires management to make estimates based on events and circumstances that existed at the consolidated statement of financial position date. Accordingly, actual results may differ from these estimates. Significant estimates made by management with a significant risk of material adjustment in the current and following years are discussed below:

i) *Non-financial assets*

The Company estimates the useful life of its non-financial assets, which include an assessment of the expected usage of the asset, product life-cycles, technological obsolescence and the period of control over the asset. The useful life impacts the amount of amortization recorded in profit or loss in during the year, and the corresponding reduction of the non-financial assets value.



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

f) Use of estimates and assumptions (cont'd)

ii) *Share subscription receivable*

The Company applies judgment in determining the recoverability of the share subscription receivable. The Company has, by way of resolution, approved the settlement of the subscription receivable during the fiscal year ending December 31, 2023 in consideration for services provided during the current fiscal year. As such, there were no issues with the recoverability of the share subscription receivable as at March 31, 2023.

iii) *Share-based payments*

The Company measures equity-settled share-based payment transactions based on an estimate of the fair value of goods or services received, unless that fair value cannot be estimated reliably, in which case the Company measures the fair value of the goods or services received based on the fair value of the equity instruments granted.

iv) *Warrants*

The Company uses the Black-Scholes model to calculate the value of warrants issued as part of the Company's private placements. The Black-Scholes model requires six key inputs to determine a value of warrants: risk-free interest rate, exercise price, market price at the date of issuance, expected dividend yield, expected life, and expected volatility. Certain of the inputs are estimates which involve considerable judgment and are or could be, affected by significant factors that are out of the Company's control. For example, a longer expected life of the warrants or higher volatility number used would result in an increase in the warrant value.

v) *COVID-19*

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which will include the implementation of travel bans, self-imposed quarantine periods and social distancing have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown, as is the efficacy of the government and central bank interventions.

The duration and impact of the COVID-19 outbreak is unknown, as is the efficacy of the government and central bank interventions.

Management cannot accurately predict the future impact COVID-19 may have on: (i) the severity and the length of potential measures taken by governments to manage the spread of the virus and their effect on labor availability; (ii) availability of essential supplies; (iii) purchasing power of the Canadian dollar; and (iv) ability to obtain additional funding.

At the date of the approval of the interim condensed consolidated financial statements, the Canadian government has not introduced measures which impede the activities of the Company. However, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and conditions of the Company in future periods.



## 2. Basis of preparation (cont'd)

### g) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

## 3. Significant accounting policies

### a) Future accounting pronouncements

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company.

Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates and Errors</i>
Annual Improvements to IFRS Standards 2018-2020 Cycle	<i>Amendments to IFRS 16 Leases, and IFRS 17 Insurance Contracts</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are akin to the significant accounting policies of the Company's annual audited financial statements for the year ended December 31, 2022. The directors do not expect that the adoption of the standards listed above will have a material impact on the interim condensed financial statements of the Company in future periods.

### b) Recently adopted accounting pronouncements

During the period, the entity adopted *IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors* and *IAS 12 — Income Taxes*. The Company's adoption of these standards did not have a material impact on the interim condensed consolidated financial statements.

### c) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer.

The Company enters into royalty agreements with customers for its digital lead generation system. These agreements, generally non-cancellable, without paying a termination penalty, and multiyear, provide the customer with the right to use the Company's application solely on a Company-hosted platform.

Revenue from these agreements is recognized on an accrual basis in accordance with the relevant agreements. It comprises royalty revenue equal to a percentage of the gross sales reported to the Company by its customers. Early termination fees are recognized when customer ceases use of agreed upon services prior to the expiration of their contract. These fees are recognized in full on the date the customer has completed their migration of the Company's solutions and there is no continuing service obligation to the customer.



**3. Significant accounting policies (cont'd)**

c) Revenue recognition (cont'd)

The Company has determined that is a principal since it controls the specified technology while the service is transferred to a customer. An entity that is a principal may satisfy its performance obligation to provide the specified good or service itself or it may engage another party to satisfy some or all of the performance obligation on its behalf.

Ultimately, the Company recognizes revenue for its sales-based royalty promised in exchange for a licence of intellectual property only when (or as) the later of the following events occurs: (i) the subsequent sale or usage occurs; and (ii) the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied).

**4. Acquisition**

a) Acquisition of SaaS, EAFdigital Inc.

On November 24, 2022, the Company entered into a letter of intent to acquire substantially all of the assets of EAFdigital Inc. ("EchoDigital"), an online SaaS-based artificial intelligence-driven automobile shopping and delivery platform, for aggregate consideration that is to be determined prior to closing, to be satisfied through and paid in common shares on the basis of a deemed price per Common Share equal to the share price at the day of Closing on which the Company's shares have traded on the Canadian Securities Exchange ("CSE"), unless otherwise mutually agreed to by the parties.

On February 24, 2023, the Company closed the acquisition of "EchoDigital". The Company purchased substantially all of the assets of EchoDigital from EAF Group of Companies for aggregate consideration of 8,924,495 common shares. Based on the closing price of the Company's common shares on February 24, 2023, the EchoDigital's shares were valued at \$892,450.

On March 8, 2023, the Company announced that it had closed its acquisition of substantially all of the assets of EchoDigital. In addition to the Shares issued to the Vendor, a finder's fee of 892,450 common shares of the Company, representing approximately 10% of the value of the Transaction has been issued to an arm's-length party and is subject the customary four (4) month resale restriction under applicable securities laws. The value of the share-based payment is \$49,084.

In accordance with the royalty and service-based management agreement between Xigem and EAF GROUP, Xigem: (i) charged to a royalty fee of \$439,684 and (ii) accrued a management fee payable to EAF GROUP of \$426,493.

During April of 2023, the Company learned that an EAF GROUP member received a temporary suspension of their dealer's license which will adversely impact EAF GROUP's ability to transact sales in the normal course of business until the suspension is lifted or EAF GROUP is able to make other arrangements. As a result, this suspension will adversely impact EchoDigital's royalty revenues until the situation is remedied. The Company will continue to monitor the situation.

**Xigem Technologies Corporation**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
For the three-month periods ended March 31, 2023 and 2022  
*(Expressed in Canadian dollars)*



**5. Property and equipment**

	Right-of-use asset	Leasehold improvements	Total
	\$	\$	\$
<b>Cost</b>			
Balance at December 31, 2022	173,270	313,273	<b>486,543</b>
Additions	-	-	-
<b>Balance at March 31, 2023</b>	<b>173,270</b>	<b>313,273</b>	<b>486,543</b>
<b>Accumulated amortization</b>			
Balance at December 31, 2022	58,148	200,561	<b>258,709</b>
Amortization	8,810	20,886	<b>29,696</b>
<b>Balance at March 31, 2023</b>	<b>66,958</b>	<b>221,447</b>	<b>288,405</b>
<b>Carrying amounts</b>			
At December 31, 2022	115,122	112,712	<b>227,834</b>
<b>At March 31, 2023</b>	<b>106,312</b>	<b>91,826</b>	<b>198,138</b>

The right-of-use asset consists of a lease for corporate office facilities and is amortized on a monthly basis over 5 year term of lease, ending on April 30, 2026.

**6. Intangible assets**

	Licences and trademarks	Software	Total
	\$	\$	\$
<b>Cost</b>			
Balance at December 31, 2022	640,750	725,284	<b>1,366,034</b>
Additions	-	892,450	<b>892,450</b>
<b>Balance at March 31, 2023</b>	<b>640,750</b>	<b>1,617,734</b>	<b>2,258,484</b>
<b>Accumulated amortization</b>			
Balance at December 31, 2022	640,750	725,284	<b>1,366,034</b>
Amortization	-	4,958	<b>4,958</b>
<b>Balance at March 31, 2023</b>	<b>640,750</b>	<b>730,242</b>	<b>1,370,992</b>
<b>Carrying amounts</b>			
At December 31, 2022	-	-	-
<b>At March 31, 2023</b>	<b>-</b>	<b>887,492</b>	<b>887,492</b>

**Xigem Technologies Corporation**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
For the three-month periods ended March 31, 2023 and 2022  
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**7. Promissory notes payable**

Promissory notes payable bear interest at 10% per annum, are unsecured and due on December 31, 2023. All promissory notes payable are provided by related parties which are existing shareholders. The continuity of the promissory notes payable is presented in the table below:

	\$
<b>Balance at December 31, 2022</b>	-
Additions	50,000
Interest expense	1,250
<b>Balance at March 31, 2023</b>	51,250

**8. Equity**

a) Authorized

Unlimited	Common shares, no par value.
Unlimited	First Preference Shares, voting, non-cumulative, issuable in series with rights, privileges, restrictions and conditions determined by the directors and officers of the Company.
Unlimited	First Preference Shares, non-voting, non-cumulative, issuable in series with rights, privileges, restrictions and conditions determined by the directors and officers of the Company.

b) Issued and outstanding

	Note	Number of shares	Amount \$
Balance, December 31, 2021		8,517,765	5,829,812
Common shares issued on exercise of options		329,060	138,500
Acquisition of Cylix Data		6,470,000	2,252,066
<b>Balance, March 31, 2022</b>		15,316,825	8,220,378
Balance, December 31, 2022		19,832,210	8,671,914
Acquisition of EAFdigital Inc.	4	9,816,968	941,534
<b>Balance, March 31, 2023</b>		<b>29,649,178</b>	<b>9,613,448</b>

**Xigem Technologies Corporation**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
For the three-month periods ended March 31, 2023 and 2022  
*(Expressed in Canadian dollars)*



**8. Equity (cont'd)**

c) Warrants

As at March 31, 2023, the Company had the following warrants outstanding with the corresponding average exercise prices:

	Note	Number of warrants #	Weighted-avg. exercise price \$
Balance, December 31, 2021		787,269	1.34
Warrants brought forward at exchange ratio		924,286	6.00
Expired		(20,566)	1.52
Balance, March 31, 2022		1,690,989	3.89
<b>Balance, March 31, 2023 and December 31, 2022</b>		<b>1,690,989</b>	<b>3.89</b>

The following table reflects the warrants issued and outstanding as at March 31, 2023:

Expiry date	Warrants outstanding			Warrants exercisable		
	Number outstanding	Average exercise price	Average remaining contractual life (years)	Weighted number exercisable	Weighted number exercisable price	
20-Sep-23	329,060	\$ 0.06	0.47	329,060	\$ 0.06	
24-Jan-24	924,286	\$ 6.00	0.82	924,286	\$ 6.00	
1-Jun-24	437,643	\$ 2.30	1.17	437,643	\$ 2.30	
	<b>1,690,989</b>	<b>\$ 3.89</b>	<b>0.87</b>	<b>1,690,989</b>	<b>\$ 3.89</b>	

On the close of acquisition of Cylix assets the Company issued 6,470,000 Common shares and 924,285 common share purchase warrant (each whole warrant, a "Purchaser Warrant"). Each Purchaser Warrant entitled the holder to acquire an additional common share of the company at a price of \$6.00 for a period of 24 months. The value split between common shares and warrants was \$2,252,066 and \$110,256, respectively. The fair value allocated between the common shares and warrants on the issuance of the units was based on a relative fair value allocation between the common shares issued and warrants issued.

The fair value was determined using the Black-Scholes pricing model using the following assumptions:

	Options	Warrants
Fair value	\$ 0.85-1.87	\$ 0.125
Share price	\$ 0.90-1.95	\$ 0.37
Exercise price	\$ 0.90-1.95	\$ 6.00
Expected volatility	175%-180%	165%
Expected life	5.00	2.00
Expected dividends	-	-
Risk-free interest rate	1.67-2.63%	1.24%



**8. Equity (cont'd)**

c) Warrants (cont'd)

Expected volatility has been based on an evaluation of the historical trend of the Company's stock performance. The expected term of the instruments has been based on management's experience and general holder behavior. As at March 31, 2023, 321,500 warrants were exercised, and the weighted average remaining contractual lives of the warrants was 0.87 years.

d) Options

On January 26, 2022, the Company granted 450,000 incentive stock options pursuant to its Stock Option Plan. Each Option entitled the holder to purchase one common share of the Company at an exercise price of \$1.95 for a period of five years and vested immediately.

An aggregate of 442,500 of incentive stock options granted during the year ended December 31, 2021, were cancelled on March 2, 2022.

On March 10, 2022, the holders of 329,060 options exercised their right to convert the options into the Company's common shares (total of 329,060 common shares) at a price of \$0.060 per common share for gross proceeds of \$20,000, allocated to the share capital account on the consolidated statement of financial position.

On April 18, 2022, the Company granted 830,000 incentive stock options. Each Option entitled the holder to purchase one Common share at an exercise price of \$0.90 for a period of five years and vested on July 18, 2022.

On July 27, 2022, the Company cancelled 1,280,000 incentive stock options (the "Options") pursuant to its Stock Option Plan. The Options had been granted between January and April 2022 to several of the Company's directors, officers, consultants, and advisory board members.

On January 5, 2023, the Company issued 1,820,000 incentive stock options (the "Options") pursuant to its Stock Option Plan. The Options had been granted to several of the Company's directors, officers, consultants, and advisory board members. The Options have a strike price of \$0.09/share with expiry date on January 5, 2028.

The outstanding stock options as at March 31 and December 31, 2022 are as follows:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	<b>#</b>	<b>#</b>
Opening number of options	-	771,560
Granted during the year	<b>1,820,000</b>	1,280,000
Exercised during the year	-	(329,060)
Cancelled/forfeited during the year	-	(1,722,500)
<b>Closing number of options</b>	<b>1,820,000</b>	-



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**8. Equity (cont'd)**

e) Maximum share dilution

The following table presents the maximum number of shares that would be outstanding if all outstanding warrants and options were exercised as at March 31, 2023 and December 31, 2022:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
	<b>#</b>	<b>#</b>
Common shares outstanding	<b>21,523,198</b>	19,832,210
Warrants to purchase common shares	<b>1,690,989</b>	1,690,989
Options to purchase common shares	<b>1,820,000</b>	-
Maximum share dilution	<b>25,034,187</b>	21,523,198

**9. Related party transactions and balances**

Key management personnel transactions

Key management includes the Company's directors, officers and any consultants with the authority and responsibility for planning, directing, and controlling the activities of an entity, directly or indirectly, and includes Chief Executive Officer, Chief Financial Officer, Chief Technical Officer.

During the three-month periods ended March 31, 2023 and 2022, key management personnel compensation consisting exclusively of short-term benefits as follows:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Share based payments	<b>184,010</b>	408,312
Management and consulting fees incurred	<b>62,984</b>	17,860
Management / consulting fees, in accounts payable	<b>32,957</b>	-
	<b>279,951</b>	426,172

**10. Loss per share**

	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>\$</b>	<b>\$</b>
Net loss attributable to shareholders		<b>(324,092)</b>	(3,206,216)
Weighted-average common shares outstanding:			
Basic		<b>23,302,824</b>	13,697,767
Dilutive effect of warrants	8(c)	<b>3,291</b>	259,957
Dilutive effect of stock options	8(d)	<b>-</b>	300,200
Diluted		<b>23,306,115</b>	14,257,924
Net loss per share attributable to shareholders:			
Basic		<b>(0.014)</b>	(0.234)
Diluted		<b>(0.014)</b>	(0.225)

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**11. Financial instruments**

a) Accounting classifications and fair values

The following tables combine information about classes of financial instruments based on their nature and characteristics, and the carrying amounts of financial instruments.

As at March 31, 2023:

	FVTPL - mandatorily measured	FVOCI - mandatorily measured	FVOCI - designated	Amortized cost
	\$	\$	\$	\$
<u>Financial assets:</u>				
Cash	-	-	-	104,352
Accounts receivable	-	-	-	13,191
Share subscription receivable	-	-	-	150,000
<b>Carrying value at March 31, 2023</b>	-	-	-	<b>267,543</b>
<u>Financial liabilities:</u>				
Accounts payable and accrued liabilities	-	-	-	317,453
Promissory notes payable	-	-	-	51,250
<b>Carrying value at March 31, 2023</b>	-	-	-	<b>368,703</b>

As at December 31, 2022:

	FVTPL - mandatorily measured	FVOCI - mandatorily measured	FVOCI - designated	Amortized cost
	\$	\$	\$	\$
<u>Financial assets:</u>				
Cash	-	-	-	38,313
Share subscription receivable	-	-	-	200,000
<b>Carrying value at December 31, 2022</b>	-	-	-	<b>238,313</b>
<u>Financial liabilities:</u>				
Accounts payable and accrued liabilities	-	-	-	317,595
<b>Carrying value at December 31, 2022</b>	-	-	-	<b>317,595</b>

b) Transfers

For periods ended March 31, 2023 and 2022, there have been no transfers between Level 1, Level 2, and Level 3.



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

**c) Financial risk management**

The Company has exposure to credit risk, liquidity risk, and market risk arising from financial instruments. Management considers credit risk and market risk to be low.

**i) *Risk management framework***

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

**ii) *Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on liabilities (other than trade payables) over the next 60 days. The Company also monitors the level of expected cash inflows on trade and other receivables, together with the expected outflows on trade and other payables.

The Company's exposure to liquidity risk is \$368,703 as at March 31, 2023 (December 31, 2022 – \$317,595), for which the Company has cash of \$104,352 on hand to satisfy its liabilities as at March 31, 2023 (December 31, 2022 – \$38,313). There have been no changes to the method for managing liquidity risk.

**12. Capital management**

The Company defines capital as its equity. The Company's objective when managing capital is: (i) to safeguard the ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders; and (ii) to provide an adequate return to shareholders by obtaining an appropriate amount of financing commensurate with the level of risk. The Company sets the amount of capital in proportion to the risk. The Company manages its capital structure and adjusts in light of the changes in economic conditions and the characteristic risk of underlying assets.



**12. Capital management (cont'd)**

To maintain or adjust the capital structure, the Company may repurchase shares, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Company's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet operational, investing, and financing requirements. There have been no changes to the Company's capital management policies during the periods ended March 31, 2023 and 2022.

**13. Segmented information**

In measuring its performance, the Company does not distinguish or group its operations on a geographical or any other basis and accordingly has a single reportable operating segment. Management has applied judgment by aggregating its operating segments into one single reportable segment for disclosure purposes. Such judgment considers the nature of the operations and an expectation of operating segments within a reportable segment with similar long-term economic characteristics.

The Company's Chief Executive Officer is the chief operating decision-maker and regularly reviews The Company's operations and performance on an aggregate basis. The Company does not have any significant customers or any significant groups of customers.

**14. Contingencies and commitments**

On March 8, 2022, the Company was served with a statement of claim in the Ontario Superior Court of Justice. Lumbermens Credit Group Ltd. ("Lumbermens") has commenced a civil action against Xigem Technologies Corporation as well as 2747524 Ontario Inc. o/a Cylix Data, 997322 Ontario Inc., Roy Murad, Jacob Murad, Aaron Murad, Noah Murad and Monica Murad (the "Action"). The Action seeks, among other things, damages of \$32,350,000 for alleged unlawful competition, misuse of confidential information, conversion and copyright infringement. In addition, the Action seeks certain declaratory relief, punitive damages of \$1,000,000, interest and legal costs.

The Company has formally delivered its statement of defense on April 20, 2022. As of the date of these interim condensed consolidated financial statements, Lumbermens' civil action against Xigem has been dormant for over 12 months. Management intends to vigorously defend the Action and seek the costs for so doing from the plaintiff.