



Xigem Technologies Corporation

Interim Condensed Consolidated Financial Statements

For the three and six-month
periods ended June 30, 2024 and 2023

(Unaudited)



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Xigem Technologies Corporation
Interim Condensed Consolidated Statements of Financial Position
As at June 30, 2024 and December 31, 2023
(Expressed in Canadian dollars)
(Unaudited)



| | Note | June 30, 2024 | December 31, 2023 |
|--|-------|---------------------|----------------------|
| | | \$ | \$ |
| ASSETS | | | |
| <i>Current</i> | | | |
| Cash | | 62,900 | 3,891 |
| Accounts receivable | 8 (b) | 55,620 | 13,191 |
| Indirect taxes recoverable | | 30,754 | 73,757 |
| | | 149,274 | 90,839 |
| Property and equipment | 5 | 63,580 | 109,049 |
| Intangible assets | 6 | 813,121 | 842,869 |
| | | 1,025,975 | 1,042,757 |
| LIABILITIES | | | |
| <i>Current</i> | | | |
| Accounts payable and accrued liabilities | | 390,742 | 381,835 |
| | | 390,742 | 381,835 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 4, 7 | 11,621,902 | 10,188,250 |
| Warrant reserve | 7 | - | 1,170,902 |
| Options reserve | 7 | 2,970,008 | 2,970,008 |
| Deficit | | (13,956,677) | (13,668,238) |
| | | 635,233 | 660,922 |
| | | 1,025,975 | 1,042,757 |
| Going concern | 2 (a) | | |
| Contingencies and commitments | 13 | | |

On behalf of the Board:

Brian Kalish

Director

Xigem Technologies Corporation

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

For the three and six-month periods ended June 30, 2024 and 2023

(Expressed in Canadian dollars)

(Unaudited)



| | Note | For the 3 months ended June 30, 2024 | For the 6 months ended June 30, 2024 | For the 3 months ended June 30, 2023 | For the 6 months ended June 30, 2023 |
|--|------|--|--|--|--|
| | | \$ | \$ | \$ | \$ |
| REVENUE | 4 | 720,036 | 1,414,343 | - | 439,684 |
| DIRECT COSTS | | 698,436 | 1,371,913 | - | 426,493 |
| GROSS MARGIN | | 21,600 | 42,430 | - | 13,191 |
| EXPENSES | | | | | |
| Professional fees | 8 | 85,713 | 100,713 | 296,000 | 317,288 |
| Management and consulting fees | 8 | 57,000 | 114,000 | 59,718 | 122,702 |
| Amortization | 5, 6 | 30,646 | 75,217 | 44,571 | 79,225 |
| Public filing fees | | 10,988 | 24,223 | 13,167 | 27,392 |
| Insurance | | 9,140 | 9,140 | 4,724 | 16,890 |
| Investor relations | | 2,668 | 4,389 | 1,644 | 5,331 |
| Advertising and promotion | | 1,176 | 2,388 | 2,011 | 5,848 |
| Dues and subscriptions | | 226 | 452 | 516 | 2,026 |
| Interest and bank charges | | 147 | 347 | 1,625 | 2,902 |
| Share-based payments | 7, 8 | - | - | - | 184,010 |
| | | 197,704 | 330,869 | 423,976 | 763,614 |
| LOSS BEFORE INCOME TAXES | | (176,104) | (288,439) | (423,976) | (750,423) |
| INCOME TAXES | | | | | |
| Current | | - | - | - | - |
| Deferred | | - | - | (4,518) | (6,873) |
| | | - | - | (4,518) | (6,873) |
| NET LOSS AND COMPREHENSIVE LOSS | | (176,104) | (288,439) | (419,458) | (743,550) |
| LOSS PER SHARE | | | | | |
| Basic | 10 | (0.003) | (0.006) | (0.018) | (0.054) |
| Diluted | 10 | (0.003) | (0.006) | (0.018) | (0.051) |

Xigem Technologies Corporation
Interim Condensed Consolidated Statements of Changes in Equity
For the three and six-month periods ended June 30, 2024 and 2023
(Expressed in Canadian dollars)
(Unaudited)



| | Note | Share capital # | Share capital \$ | Warrant reserve \$ | Options reserve \$ | Deficit \$ | Total equity \$ |
|-------------------------------------|------|-----------------------|------------------------|--------------------------|--------------------------|---------------------|-----------------------|
| 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 | 4 | - | - | - | 134,925 | - | 134,925 |
| Net loss and comprehensive loss | | - | - | - | - | (743,550) | (743,550) |
| Balance, as at June 30, 2023 | | 29,649,178 | 9,613,448 | 1,170,902 | 3,001,008 | (13,161,642) | 623,716 |
| Balance, as at December 31, 2023 | | 47,051,275 | 10,188,250 | 1,170,902 | 2,970,008 | (13,668,238) | 660,922 |
| Private placement | 7(b) | 2,500,000 | 105,000 | - | - | - | 105,000 |
| Debt conversion | 7(b) | 3,155,000 | 157,750 | - | - | - | 157,750 |
| Expiry of warrants | 7(c) | - | 1,170,902 | (1,170,902) | - | - | - |
| Net loss and comprehensive loss | | - | - | - | - | (288,439) | (288,439) |
| Balance, as at June 30, 2024 | | 52,706,275 | 11,621,902 | - | 2,970,008 | (13,956,677) | 635,233 |

Xigem Technologies Corporation
Interim Condensed Consolidated Statements of Cash Flows
For the three and six-month periods ended June 30, 2024 and 2023
(Expressed in Canadian dollars)
(Unaudited)



| | Note | For the 3 months ended June 30, 2024 | For the 6 months ended June 30, 2024 | For the 3 months ended June 30, 2023 | For the 6 months ended June 30, 2023 |
|--|------|--|--|--|--|
| | | \$ | \$ | \$ | \$ |
| OPERATING ACTIVITIES | | | | | |
| Net loss and comprehensive loss | | (176,104) | (288,439) | (419,458) | (743,550) |
| <i>Items not affecting cash:</i> | | | | | |
| Share-based payments | | - | - | - | 184,010 |
| Amortization and impairment | 5, 6 | 30,646 | 75,217 | 44,571 | 79,225 |
| Interest expense | | - | - | 1,250 | 2,500 |
| | | (145,458) | (213,222) | (373,637) | (477,815) |
| <i>Changes in non-cash working capital balances:</i> | | | | | |
| Accounts receivable | | (21,600) | (42,430) | - | (13,191) |
| Indirect taxes recoverable | | 54,802 | 43,003 | (15,135) | 64,020 |
| Share subscription receivable | | - | - | 50,000 | 100,000 |
| Prepaid expenses | | - | - | 23,778 | 30,528 |
| Accounts payable and accrued liabilities | | 69,406 | 166,658 | 260,012 | 259,870 |
| Deferred income tax | | - | - | (4,518) | (6,873) |
| | | 102,608 | 167,231 | 314,137 | 434,354 |
| | | (42,850) | (45,991) | (59,500) | (43,461) |
| FINANCING ACTIVITIES | | | | | |
| Proceeds from issuance of promissory notes | | - | - | - | 50,000 |
| Proceeds from issuance of shares | 7 | - | 105,000 | - | - |
| | | - | 105,000 | - | 50,000 |
| Change in cash | | (42,850) | 59,009 | (59,500) | 6,539 |
| Cash, beginning of period | | 105,750 | 3,891 | 104,352 | 38,313 |
| Cash, end of period | | 62,900 | 62,900 | 44,852 | 44,852 |



1. General information

Xigem Technologies Corporation ("Xigem" or the "Company") seeks to become a leading technology platform for the remote working economy. Using patented and proprietary 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.

10557536 Canada Corp. ("105CC") was incorporated on December 27, 2017 under the Canada Business Corporations Act with its head office located at 401 Bay Street, Suite #2100, Toronto, Ontario, Canada, M5H 2Y4.

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.

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 June 30, 2024, the Company had an accumulated deficit of \$13,956,677 (December 31, 2023 – \$13,668,238). 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 June 30, 2024, is uncertain.

To address the going concern risk, the Company continues to seek equity and other 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, 2023. These interim condensed consolidated financial statements were approved by the Board of Directors on August 22, 2024.



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 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 June 30, 2024 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. As such, there were no issues with the recoverability of the share subscription receivable as at June 30, 2024.

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> |
| Amendments to IAS 12 | <i>Amendments to IFRS 16 Leases and IFRS 17 Insurance Contracts</i> |
| Annual Improvements to IFRS Standards 2018-2020 Cycle | <i>Disclosure of Accounting Policies</i> |
| Amendments to IAS 1 and IFRS Practice Statement 2 | |

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.

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.

Xigem Technologies Corporation
Notes to the Interim Condensed Consolidated Financial Statements
For the three and six-month periods ended June 30, 2024 and 2023
(Expressed in Canadian dollars)



4. Acquisition (cont'd)

a) Acquisition of SaaS, EAFdigital Inc. (cont'd)

During April of 2023, the Company learned that an EAF GROUP member received a temporary suspension of their dealer's license. As a result, this suspension adversely impacted EchoDigital's royalty revenues.

During August of 2023, the Company was made aware by the Vendor that all of its shares have been sold to Carnance Inc., a dealer of new and pre-owned vehicles. The Company was subsequently made aware that the change in control of Carnance Inc. was approved by the Ontario Motor Vehicle Industry Council. As a result of the transaction, the royalty and service-based management agreement and loan agreement entered into between the Company and the Vendor as part of the Acquisition have been assumed, in their entirety, by Carnance Inc.

In accordance with the royalty and service-based management agreement between Xigem and Carnance Inc., in 2023 Xigem: (i) charged a royalty fee of \$439,684 and (ii) accrued a management fee payable to Carnance Inc. of \$426,493. In the six-month period ending June 30, 2024, Xigem (i) charged royalty fees totaling \$1,414,343, and (ii) accrued a total management fee of \$1,371,913.

5. Property and equipment

| | Right-of-use asset | Leasehold improvements | Total |
|---------------------------------|-----------------------|---------------------------|----------------|
| | \$ | \$ | \$ |
| Cost | | | |
| Balance at December 31, 2023 | 173,270 | 313,273 | 486,543 |
| Additions | - | - | - |
| Balance at June 30, 2024 | 173,270 | 313,273 | 486,543 |
| Accumulated amortization | | | |
| Balance at December 31, 2023 | 93,389 | 284,105 | 377,494 |
| Amortization | 17,621 | 27,848 | 45,469 |
| Balance at June 30, 2024 | 111,010 | 311,953 | 422,963 |
| Carrying amounts | | | |
| At December 31, 2023 | 79,881 | 29,168 | 109,049 |
| At June 30, 2024 | 62,260 | 1,320 | 63,580 |

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 on a straight-line basis, ending on April 30, 2026.

The useful life of the leasehold improvement is 2 years, amortized on a straight-line basis.

Xigem Technologies Corporation
Notes to the Interim Condensed Consolidated Financial Statements
For the three and six-month periods ended June 30, 2024 and 2023
(Expressed in Canadian dollars)



6. Intangible assets

| | Licences and trademarks | Software | Total |
|---------------------------------|----------------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Cost | | | |
| Balance at December 31, 2023 | 640,750 | 1,617,734 | 2,258,484 |
| Additions | - | - | - |
| Balance at June 30, 2024 | 640,750 | 1,617,734 | 2,258,484 |
| Accumulated amortization | | | |
| Balance at December 31, 2023 | 640,750 | 774,865 | 1,415,615 |
| Amortization | - | 29,748 | 29,748 |
| Balance at June 30, 2024 | 640,750 | 804,613 | 1,445,363 |
| Carrying amounts | | | |
| At December 31, 2023 | - | 842,869 | 842,869 |
| At June 30, 2024 | - | 813,121 | 813,121 |

The Company periodically reassess the estimated economic life and the recoverability of the capitalized software costs. If the Company determines that the capitalized amounts are not recoverable based on the expected net cash flows to be generated from sales of the applicable software solutions, the amount by which the unamortized capitalized costs exceed the net realizable value is written down as a charge to the consolidated statements of operations and comprehensive loss. The software is amortized over a period of 180 months on straight-line basis.

7. Equity

a) Authorized

| | |
|-----------|---|
| Unlimited | Common shares. |
| 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. |

Xigem Technologies Corporation
Notes to the Interim Condensed Consolidated Financial Statements
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(Expressed in Canadian dollars)



7. Equity (cont'd)

b) Issued and outstanding

| | Note | Number of shares | Amount \$ |
|--------------------------------|------|-------------------|-------------------|
| Balance, December 31, 2022 | | 19,832,210 | 8,671,914 |
| Acquisition of EAFdigital Inc. | 4 | 9,816,944 | 941,534 |
| Balance, June 30, 2023 | | 29,649,154 | 9,613,448 |
| Balance, December 31, 2023 | | 47,051,275 | 10,188,250 |
| Private placement | | 2,500,000 | 105,000 |
| Debt conversion | | 3,155,000 | 157,750 |
| Expiry of warrants | | - | 1,170,902 |
| Balance, June 30, 2024 | | 52,706,275 | 11,621,902 |

On March 8, 2023, the Company issued shares to acquire EAFdigital Inc. for \$941,534, at \$892,450 for all of EchoDigital's shares, and a \$49,084 finder's fee.

On March 28, 2024, the Company entered into debt settlement agreements with certain of its creditors (together, the "Creditors") to issue 3,155,000 common shares (the "Settlement Shares") to such Creditors in exchange for outstanding accounts payable totaling \$157,750 (the "Shares for Debt Transaction") owing to the Creditors. The Settlement Shares were issued at a price of \$0.05, in accordance with the policies of the Canadian Securities Exchange (the "CSE"). The Shares for Debt Transaction included \$107,350 settled for amounts owed to management.

On the same date, the Company also announced that it had closed its non-brokered private placement by issuing 2,500,000 units (the "Units") at a price of \$0.042 per Unit for aggregate proceeds to the Company of \$105,000. Each Unit consisted of one common share in the capital of the Company (each, a "Common Share"), and one common share purchase warrant (each a "Warrant"), with each Warrant entitling the holder to acquire an additional Common Share for a period of 24 months from closing at an exercise price of \$0.065. The private placement included 595,238 units issued to management.

Xigem Technologies Corporation
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For the three and six-month periods ended June 30, 2024 and 2023
(Expressed in Canadian dollars)



7. Equity (cont'd)

c) Warrants

As at June 30, 2024, the Company had the following warrants outstanding with the corresponding average exercise prices:

| | Note | Number of warrants # | Weighted-avg. exercise price \$ |
|-------------------------------|------|----------------------------|---------------------------------------|
| Balance, December 31, 2022 | | 1,690,989 | 3.89 |
| Granted | | - | - |
| Expired | | - | - |
| Balance, June 30, 2023 | | 1,690,989 | 3.88 |
| Balance, December 31, 2023 | | 1,361,929 | 3.88 |
| Granted | | - | - |
| Expired | | (1,361,929) | - |
| Balance, June 30, 2024 | | - | - |

As of June 30, 2024, all outstanding warrants have expired. 924,286 warrants expired on January 24, 2024, and the remaining 437,643 warrants expired on June 1, 2024.

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

| | Options | Warrants |
|-------------------------|---------|----------|
| Fair value | \$ 0.07 | \$ - |
| Share price | \$ 0.06 | \$ 0.06 |
| Exercise price | \$ 0.09 | \$ 6.00 |
| Expected volatility | 88% | 165% |
| Expected life | 4.02 | 0.12 |
| Expected dividends | - | - |
| Risk-free interest rate | 1.65% | 0.05% |

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 June 30, 2024, nil warrants were exercised, and 1,361,929 warrants expired.

d) Options

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

| | June 30, 2024 | December 31, 2023 |
|-------------------------------------|------------------|----------------------|
| Opening number of options | 1,820,000 | - |
| Granted during the year | - | 1,820,000 |
| Exercised during the year | - | - |
| Cancelled/forfeited during the year | - | - |
| Closing number of options | 1,820,000 | 1,820,000 |

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7. Equity (cont'd)

d) Options (cont'd)

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 per share with expiry date on January 5, 2028.

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 June 30, 2024 and December 31, 2023:

| | June 30, 2024 | December 31, 2023 |
|------------------------------------|-------------------|----------------------|
| | # | # |
| Common shares outstanding | 52,706,275 | 47,051,275 |
| Warrants to purchase common shares | - | 1,361,929 |
| Options to purchase common shares | 1,820,000 | 1,820,000 |
| Maximum share dilution | 54,526,275 | 50,233,204 |

8. Related party transactions and balances

(a) 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. Management of the Company appointed by the board of directors as follows: Chief Executive Officer, Chief Financial Officer, Chief Technical Officer.

During the period ended June 30, 2024, key management personnel compensation consisting exclusively of short-term benefits as follows:

| | For the 3 months ended June 30, 2024 | For the 6 months ended June 30, 2024 | For the 3 months ended June 30, 2023 | For the 6 months ended June 30, 2023 |
|--|--|--|--|--|
| | \$ | \$ | \$ | \$ |
| Public filing fees and professional fees | 96,701 | 124,936 | 309,167 | 344,680 |
| Management and consulting fees incurred | 57,000 | 114,000 | 59,718 | 122,702 |
| Share based payments | - | - | - | 184,010 |
| | 153,701 | 238,936 | 368,885 | 651,392 |



8. Related party transactions and balances (cont'd)

(b) EchoDigital

EchoDigital is considered a related party as it is employing Company assets to operate. This corporate relationship qualifies all transactions with EchoDigital as related party transactions.

The Company has entered into a management agreement with Carnance Inc., under which it earns all its revenues. The terms of the agreement stipulate that the Company is entitled to royalties based on certain sales metrics achieved by EchoDigital. Revenue is recognized on royalties earned from sales generated by EchoDigital. For the three- and six-month periods ended June 30, 2024, the Company recognized \$720,036 and \$1,414,343 in royalty revenue, respectively.

As of June 30, 2024, the total amount receivable from EchoDigital stood at \$55,620 which is presented on the statement of financial position under 'Accounts receivable'. This balance includes accrued royalty revenues. The balance is unsecured, interest free and due to be recovered in the next 12 months after June 30, 2024. All transactions and outstanding balances with EchoDigital are conducted in accordance with terms negotiated at arm's length, which include payment terms and other conditions.

The Company acknowledges a significant economic dependence on its related party, EchoDigital, from which it currently derives all its revenues. This dependence is continually assessed as part of the Company's broader risk management and strategic planning processes.

9. Loss per share

| | Note | For the 3 months ended June 30, 2024 | For the 6 months ended June 30, 2024 | For the 3 months ended June 30, 2023 | For the 6 months ended June 30, 2023 |
|--|------|--|--|--|--|
| | | \$ | \$ | \$ | \$ |
| Net income (loss) attributable to shareholders | | (176,104) | (288,439) | (419,458) | (743,550) |
| Weighted-average common shares outstanding: | | | | | |
| Basic | | 52,706,275 | 48,350,987 | 23,302,824 | 13,697,767 |
| Dilutive (antidilutive) effect of warrants | 7(c) | - | - | 3,291 | 259,957 |
| Dilutive effect of stock options | 7(d) | - | - | - | 300,200 |
| Diluted | | 52,706,275 | 48,350,987 | 23,306,115 | 14,257,924 |
| Net loss per share attributable to shareholders: | | | | | |
| Basic | | (0.003) | (0.006) | (0.018) | (0.054) |
| Diluted | | (0.003) | (0.006) | (0.018) | (0.052) |

Xigem Technologies Corporation
Notes to the Interim Condensed Consolidated Financial Statements
For the three and six-month periods ended June 30, 2024 and 2023
(Expressed in Canadian dollars)



10. 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 June 30, 2024:

| | FVTPL - mandatorily measured | FVOCI - mandatorily measured | FVOCI - designated | Amortized cost |
|--|------------------------------------|------------------------------------|-----------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| <u>Financial assets:</u> | | | | |
| Cash | - | - | - | 62,900 |
| Accounts receivable | - | - | - | 55,620 |
| Carrying value at June 30, 2024 | - | - | - | 118,520 |
| <u>Financial liabilities:</u> | | | | |
| Accounts payable and accrued liabilities | - | - | - | 390,742 |
| Carrying value at June 30, 2024 | - | - | - | 390,742 |

As at December 31, 2023:

| | FVTPL - mandatorily measured | FVOCI - mandatorily measured | FVOCI - designated | Amortized cost |
|--|------------------------------------|------------------------------------|-----------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| <u>Financial assets:</u> | | | | |
| Cash | - | - | - | 3,891 |
| Accounts receivable | - | - | - | 13,191 |
| Share subscription receivable | - | - | - | - |
| Carrying value at December 31, 2023 | - | - | - | 17,082 |
| <u>Financial liabilities:</u> | | | | |
| Accounts payable and accrued liabilities | - | - | - | 381,835 |
| Promissory notes payable | - | - | - | - |
| Carrying value at December 31, 2023 | - | - | - | 381,835 |

b) Transfers

For periods ended June 30, 2024 and 2023, there have been no transfers between Level 1, Level 2, and Level 3.



10. 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 \$390,742 as at June 30, 2024 (December 31, 2023 – \$381,835), for which the Company has cash of \$62,900 on hand to satisfy its liabilities as at June 30, 2024 (December 31, 2023 – \$3,891). There have been no changes to the method for managing liquidity risk.

iii) *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

iv) *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Company is mainly exposed to interest rate and currency risk.



11. 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.

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 June, 2023 and 2024.

12. 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.

13. Contingencies and commitments

a) Civil action

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.

The Company has a continuing agreement with Nexus TradCo International that is a related party related through common ownership to provide professional consulting services for \$10,000 per month on a month-to-month basis.



13. Contingencies and commitments (cont'd)

b) Cylix Data Group

On January 7, 2022, the Company entered into an asset purchase agreement (“APA”) for substantially all of the assets of 2747524 Ontario Inc. o/a Cylix Data Group (“Cylix”). The APA closed on January 24, 2022. Upon completion of concentration test, management treated this transaction as an asset acquisition as substantially all of the fair value of the gross assets are concentrated in a single identifiable asset or group of similar identifiable assets.

Subsequent to the closing of the APA, the Company’s management is of the view that that the vendor of Cylix has breached certain key provisions of the asset purchase agreement currently making it highly improbable for the Company to recognize sole control of the Cylix asset and the books and records associated with it; resulting in the Company’s inability to formally control the Cylix asset and treating the transaction as not consummated. As a result, Xigem recorded a loss on the non-consummated acquisition of the assets of Cylix of \$2,362,322 and has had to recognize an impairment of the Cylix asset on its consolidated statement of loss and comprehensive loss in the year ended December 31, 2022.

Notwithstanding various attempts at obtaining control of the Cylix assets and its books and records, as defined in the APA, the Company is, as of the date of these interim condensed consolidated financial statements, unable to access or utilize the Cylix assets. It is management’s view that, considering recent developments concerning the vendor of Cylix, neither returning the Purchaser Units to treasury nor cancelling the Purchaser Units is a likely or probable outcome at this time.

14. Subsequent events

As of July 17, 2024, a letter of indemnity was filed for an extension of the hold periods for 8,825,335 common shares issued for the acquisition of EchoDigital. As of that date, 4,908,472 common shares will remain in escrow until February 7, 2025, and 3,916,863 common shares will remain in escrow until July 7, 2025.