



**FOBI AI INC.**  
**(Formerly Loop Insights Inc.)**

Condensed Interim Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF  
INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements.

**Fobi AI Inc. (formerly Loop Insights Inc.)**Condensed Interim Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

	<b>March 31, 2022</b>	<b>June 30, 2021</b>
<b>Assets</b>	<b>(Unaudited)</b>	
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,976,238	\$ 7,501,753
Amounts receivable (Note 4)	1,947,308	844,502
Prepaid expenses	436,162	328,565
Inventory (Note 5)	118,294	-
Investments (Note 6)	333,333	-
Loan receivable (Note 7)	367,418	288,438
<b>Total current assets</b>	<b>6,178,753</b>	<b>8,963,258</b>
<b>Non-current assets</b>		
Loan receivable (Note 7)	-	193,096
Equipment (Note 8)	128,830	122,062
Intellectual property (Note 9)	4,380,745	171,792
Right-to-use asset (Note 10)	22,962	37,672
Intangible assets (Note 11)	759,141	873,996
Goodwill (Note 3)	1,320,468	1,320,468
<b>Total non-current assets</b>	<b>6,612,146</b>	<b>2,719,086</b>
<b>Total assets</b>	<b>12,790,899</b>	<b>11,682,344</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,413,146	538,938
Current portion of lease liabilities (Note 14)	10,178	16,912
Deferred revenue	393,610	108,488
Loans	-	20,000
<b>Total current liabilities</b>	<b>1,816,934</b>	<b>684,338</b>
Deferred income taxes	271,693	271,693
Non-current portion of lease liabilities (Note 14)	14,417	22,218
<b>Total liabilities</b>	<b>2,103,044</b>	<b>978,249</b>
<b>Shareholders' equity</b>		
Share capital (Note 15)	50,658,623	42,363,480
Subscription receivable	(130,568)	(130,568)
Contributed surplus	14,097,483	7,562,494
Deficit	(53,937,663)	(39,091,291)
Accumulated other comprehensive loss	(20)	(20)
<b>Total shareholders' equity</b>	<b>10,687,855</b>	<b>10,704,095</b>
<b>Total liabilities and shareholders' equity</b>	<b>12,790,899</b>	<b>11,682,344</b>

Going concern (Note 2(c))  
Commitments and contingencies (Note 19)  
Subsequent events (Note 21)

Approved and authorized for issuance by the Board of Directors on May 27, 2022:

*/s/ Robert Douglas Anson*

Robert Douglas Anson, Director

*/s/ Peter Green*

Peter Green, Director

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

**Fobi AI Inc. (formerly Loop Insights Inc.)**

Condensed Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Nine Months Ended March 31, 2022	Nine Months Ended March 31, 2021
Revenue	\$ 315,008	\$ 10,016	\$ 1,818,148	\$ 10,016
Expenses				
Advertising and marketing	183,871	185,898	411,526	527,006
Amortization	862,752	12,122	987,590	45,027
Consulting fees	505,976	299,216	1,213,146	843,691
Insurance	43,367	5,867	54,194	5,867
Interest and accretion expense	2,104	3,544	5,551	42,346
Investor relations	3,870	35,999	119,330	93,622
Office and general	79,110	179,782	240,250	394,999
Professional fees	218,199	44,572	453,699	214,451
Rent	65,284	11,930	94,277	31,990
Share-based compensation	2,153,448	175,949	7,645,328	2,995,260
Technology	254,230	9,481	889,201	32,039
Transfer agent and filing fees	73,257	9,499	205,526	66,716
Travel	(46,056)	34,389	124,308	56,358
Wages and benefits	1,461,341	605,295	4,394,848	1,467,351
Total operating expenses	5,860,753	1,613,543	16,838,774	6,816,723
Loss before other income (loss)				
Other income (loss)	(5,545,745)	(1,603,527)	(15,020,626)	(6,806,707)
Other income	24,399		44,399	
Interest income	-		2,368	
Foreign exchange gain	(5,089)		3,235	
Gain on settlement of convertible debentures	-	86,913	-	86,913
Gain on settlement of receivables (Note 6)	70,833	-	70,833	-
Gain on settlement of accounts payable	53,419	(33,250)	53,419	(33,250)
Net Loss and Comprehensive Loss for the Period	(5,402,183)	(1,549,864)	(14,846,372)	(6,753,044)
Basic and diluted loss per common share	\$ (0.04)	\$ (0.01)	\$ (0.11)	\$ (0.06)
Weighted average number of common shares outstanding	145,084,120	124,381,113	139,693,840	113,333,547

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

## Fobi AI Inc. (formerly Loop Insights Inc.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity  
(Expressed in Canadian dollars)  
(Unaudited)

	Number of Outstanding Shares	Common Shares	Subscriptions	Contributed Surplus	Accumulated other comprehensive income	Deficit	Total Shareholder's Deficiency
Balance, June 30, 2020	91,383,209	\$ 23,464,437	\$ (140,000)	\$ 3,458,791	\$ -	\$ (27,994,708)	\$ (1,211,480)
Issuance of common shares for cash	5,686,904	597,125	-	-	-	-	597,125
Issuance of common shares for obligation debentures (Note 14)	1,200,000	402,000	-	-	-	-	402,000
Issuance of common shares for acquisition of intellectual property (Note 9a)	239,999	360,000	-	-	-	-	360,000
Warrants exercised	166,250	232,750	-	-	-	-	232,750
Fair market value of broker warrants exercised	23,222,856	4,476,857	-	(377,359)	-	-	4,476,857
Stock options exercised	-	377,359	-	(226,550)	-	-	-
Shares for services	3,513,000	1,294,003	-	-	-	-	1,067,453
Subscription received	1,000	250	-	-	-	-	250
Share-based compensation	-	-	9,432	2,995,260	-	-	9,432
Net loss for the period	-	-	-	-	-	(6,753,044)	2,995,260
<b>Balance, March 31, 2021</b>	<b>125,413,218</b>	<b>\$ 31,204,781</b>	<b>\$ (130,568)</b>	<b>\$ 5,850,142</b>	<b>\$ -</b>	<b>\$ (34,747,752)</b>	<b>\$ 2,176,603</b>
Balance, June 30, 2021	134,862,263	42,363,480	(130,568)	7,562,494	(20)	(39,091,291)	10,704,095
Issuance of common shares for acquisition of intellectual property (Notes 9b and c)	1,524,031	4,505,531	-	-	-	-	4,505,531
Warrants exercised	7,135,000	1,510,250	-	-	-	-	1,510,250
Stock options exercised	2,662,000	2,279,362	-	(1,110,339)	-	-	1,169,023
Share-based compensation	-	-	-	7,645,328	-	-	7,645,328
Net loss for the period	-	-	-	-	-	(14,846,372)	(14,846,372)
<b>Balance, March 31, 2022</b>	<b>146,183,294</b>	<b>\$ 50,658,623</b>	<b>\$ (130,568)</b>	<b>\$ 14,097,483</b>	<b>\$ (20)</b>	<b>\$ (53,937,663)</b>	<b>\$ 10,687,855</b>

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

**Fobi AI Inc. (formerly Loop Insights Inc.)**

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	<b>Nine Months Ended March 31, 2022</b>	<b>Nine Months Ended March 31, 2021</b>
Operating activities		
Net loss	(14,846,372)	(6,753,044)
Items not affecting cash:		
Amortization	987,590	45,027
Interest and accretion expense	4,152	52,087
Gain on settlement of receivables	(70,833)	-
Gain on settlement of accounts payable	(53,419)	-
Gain on settlement of convertible debentures	-	(86,913)
Loss on settlement of purchase of intellectual property	-	33,250
Share-based compensation	7,645,328	2,995,260
Changes in non-cash operating working capital:		
Amounts receivable	(1,365,306)	338,489
Prepaid expenses	(107,597)	(75,215)
Inventory	(118,294)	(28,450)
Accounts payable and accrued liabilities	931,202	(738,002)
Deferred revenue	285,122	-
Due to related parties	-	(150,000)
<b>Net cash used in operating activities</b>	<b>(6,708,427)</b>	<b>(4,367,511)</b>
Investing activities		
Purchase of equipment	(60,637)	(26,643)
Purchase of intellectual property	(511,153)	-
<b>Net cash used in investing activities</b>	<b>(571,790)</b>	<b>(26,643)</b>
Financing activities		
Proceeds from shares issued for cash	-	597,125
Proceeds from exercise of warrants	1,510,250	4,476,857
Proceeds from exercise of options	1,169,023	1,067,453
Proceeds from share subscription	-	9,433
Net proceeds from advancement and repayment of loans	94,116	-
Repayment of principal portion of the lease liability	(18,687)	(24,978)
<b>Net cash provided by financing activities</b>	<b>2,754,702</b>	<b>6,125,890</b>
Increase (decrease) in cash and cash equivalents	(4,525,515)	1,731,736
Cash and cash equivalents, beginning of period	7,501,753	174,252
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,976,238</b>	<b>\$ 1,905,988</b>
Cash and cash equivalents are comprised of:		
Cash in bank	2,443,738	1,848,488
Cashable guaranteed investment certificates	532,500	57,500
<b>Total cash and cash equivalents</b>	<b>\$ 2,976,238</b>	<b>\$ 1,905,988</b>

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

## Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

(Unaudited)

### 1. Corporate Information

Fobi AI Inc. (formerly “Loop Insights Inc.”) (the “Company”) was incorporated under the laws of the province of British Columbia, Canada, on January 12, 1987. The Company’s shares trade on TSX Venture Exchange under the symbol “FOBI” and on OTCQF under the symbol “FOBIF”.

The Company operates in the technology industry and earns revenues from directly selling software as a service (“SaaS”), reselling, referring, and licensing its technology to licensors. The address of the Company’s corporate office and principal place of business is Suite 541 Howe Street #2F, Vancouver B.C., V6C 2C2.

### 2. Basis of Presentation

#### (a) Statement of Compliance and Principles of Consolidation

These condensed unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The condensed unaudited interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended June 30, 2021. The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements.

These condensed unaudited interim consolidated financial statements include the accounts of the Company and the following subsidiaries:

<b>Subsidiaries</b>	<b>Country of incorporation</b>	<b>Functional currency</b>	<b>Percentage of ownership</b>
Loop Insights (USA) Inc.	USA	US Dollar	100%
AlkaLi3 Resources Inc. Mediahelden GmbH d/b/a Passcreator	Canada Germany	Canadian Dollar Euros	100% 100%

#### (b) Basis of Measurement

These condensed unaudited interim consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company’s functional currency.

The preparation of these condensed unaudited interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. 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.

## **Fobi AI Inc. (formerly Loop Insights Inc.)**

Notes to the Condensed Interim Consolidated Financial Statements

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### **2. Basis of Presentation (continued)**

#### (b) Basis of Measurement (continued)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities include the following:

- i) The useful life and recoverability of long-lived assets
- ii) The inputs used in the valuation of share-based payments
- iii) Revenue recognition for special contracts and projects
- iv) Incremental borrowing rate
- v) Allowance for credit losses

Significant areas of judgment include:

- i) Application of the going concern assumption
- ii) Application of IFRS 16
- iii) Deferred tax assets
- iv) Functional currency

#### (c) Going Concern

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of March 31, 2022, the Company had not yet generated significant revenue or positive cash flow from operations. The Company has a net loss of \$14,846,372 for the nine-month period ended March 31, 2022 and accumulated deficit of \$53,937,663 as at March 31, 2022. These factors, among others, may cast substantial doubt as to the ability of the Company to continue as a going concern. Management believes that the proceeds from additional equity financing activities that it is currently pursuing, combined with revenue that the Company expects to generate in subsequent periods, will provide the Company with sufficient working capital to satisfy its liabilities and commitments as they become due for the foreseeable future. There can be no assurances that sufficient equity can be raised on acceptable terms on a timely basis.

These unaudited condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these unaudited condensed interim consolidated financial statements. Such adjustments could be material.

Since December 31, 2019, 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 include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. While the Company does not anticipate any long-term impact, it is not possible to reliably estimate the immediate impact on the financial results and condition of the Company. The Company does not anticipate any material impact and will continue to monitor and assess risks associated with COVID-19.

#### (d) Reclassifications

Certain reclassifications have been made to the comparative information presented to conform to the current period presentation on the unaudited condensed interim consolidated statements of financial position and comprehensive loss.

## Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

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### 3. Business Combination

On April 16, 2021, the Company acquired 100% control over Mediaheldon GmbH, d/b/a Passcreator (“Passcreator”). Based in Germany, Passcreator is a European digital wallet and mobile marketing company. In consideration for the acquisition of Passcreator, the Company paid US\$123,000 in cash and issued 1,301,425 common shares of the Company. The Company acquired all the issued and outstanding common shares of Passcreator. As the Company is the sole owner of all the common shares and has certain provisions, including the ability to elect the majority of the directors, in accordance with IFRS 10, the Company has control over Passcreator. The investment in Passcreator has been accounted for as a business combination. In accordance with IFRS 3 “Business Combinations”, the assets acquired, and liabilities assumed are measured at their fair value at the acquisition date and the excess value of the consideration above the fair value of the net assets acquired is recognized as goodwill.

The acquisition was recorded as follows:

Fair value of consideration		
Cash	\$	154,001
Common shares issued		1,952,138
	\$	2,106,139
Net assets acquired		
Customer relationships	\$	329,870
Developed technology		209,917
Trade name		359,858
Non-compete		5,998
Goodwill		1,320,468
Deferred income taxes		(271,693)
Equipment		14,076
Other current assets		137,645
	\$	2,106,139

The goodwill recorded upon acquisition of Passcreator represents the sales and growth potential of Passcreator and will not be deductible for tax purposes. Had the Company acquired Passcreator on July 1, 2020, management estimates that there would be no significant impact on the reported revenues and net income(loss). During the nine months ended March 31, 2022, the Company recorded amortization expense of \$114,855 (2021 - \$31,467) in connection with the customer relationships, developed technology and non-complete intangible assets.

### 4. Amounts Receivable

Amounts receivables consists primarily of GST receivable and amounts due from customers:

	March 31, 2022	June 30, 2021
GST/VAT receivable	\$ 834,450	\$ 761,201
Trade accounts receivable	1,112,858	83,301
	<b>\$1,947,308</b>	<b>\$ 844,502</b>



## Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2022

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### 5. Inventory

Inventory consists of electronic components purchased to develop the Company's hardware devices.

### 6. Investments

During the nine months ended March 31, 2022, the Company received 4,166,666 common shares of Azincourt Energy Corp. ("**Azincourt**") with a fair value of \$333,333 to settle amounts receivable from Azincourt of \$262,500. The Company recognized gain on settlement of receivables of \$70,833.

	Quantity of Common Shares	Cost	Accumulated Unrealized Gain	Fair Value
<i>Available-for-sale</i>				
Azincourt Energy Corp.	4,166,666	\$ 333,333	\$ -	\$ 333,333
Balance, March 31, 2022	4,166,666	\$ 333,333	\$ -	\$ 333,333

Subsequent to period end, Azincourt consolidated its shares on a 2.5:1 basis.

### 7. Loans receivable

- a) In connection with the acquisition of Passcreator (Note 3), the Company granted secured limited recourse loans to former shareholders of Passcreator (the "Borrowers"), in the amount the Borrowers had to pay in income tax, solidarity tax and church tax on the proceeds from the sale of their shares. The loans are due for repayment according to the following repayment schedule:

20% of the amount of loan	10 months after the closing of the acquisition
20% of the amount of loan	12 months after the closing of the acquisition
20% of the amount of loan	14 months after the closing of the acquisition
20% of the amount of loan	16 months after the closing of the acquisition
20% of the amount of loan	18 months after the closing of the acquisition

The interest rate for the loans is 2% p.a. and shall be payable from the date on which the loans were advanced to the Borrowers until and including the date of the repayment of the loans. Interest is due semi-annually, and is payable to the Company on June 30 and December 30 of each year. During the nine months ended March 31, 2022, the total amount of loan granted of \$480,730 was repaid by Passcreator in full.

- b) On October 13, 2021, the Company entered into an Asset Purchase Agreement with Qples, Inc. ("Qples") to acquire certain assets and assume certain liabilities ("Purchased Assets"). In connection with the acquisition of the Purchased Assets as further described in note 9b, the Company granted a loan to Qples of USD \$294,405. The loan is non interest-bearing and is subject to repayment by Qples to the Company using proceeds from the sale of SBA-Payout shares, as further described in Note 9b. As at March 31, 2022, Qples has not disposed of the SBA Pay-Out shares and the loan due to the Company is outstanding and payable on demand.

## Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

(Unaudited)

### 8. Equipment

	Equipment
Cost:	
Balance, June 30, 2021	\$ 155,199
Additions	60,638
Disposal	-
<u>Balance, March 31, 2022</u>	<u>215,837</u>
Accumulated amortization:	
Balance, June 30, 2021	33,137
Additions	53,870
Disposal	-
<u>Balance, March 31, 2022</u>	<u>87,007</u>
Carrying amounts:	
<u>Balance, June 30, 2021</u>	<u>\$ 122,062</u>
<u>Balance, March 31, 2022</u>	<u>\$ 128,830</u>

### 9. Intellectual Property

- a) On February 18, 2021, the Company entered into an Intellectual Property Purchase Agreement with Digital2Go Medial Networks, Inc. dba Locally (“Locally”) to acquire its software solutions. In consideration for the acquisition, the Company issued to Locally 166,250 common shares. The shares had a fair value of \$199,500 and were capitalized to intellectual property .
- b) On October 13, 2021, the Company entered into an Asset Purchase Agreement with Qples to acquire certain assets including the Qples SaaS coupon management platform 4.0, the Grocery Coupon Network Mobile App, the Qples Platform 3.0, and to assume specified liabilities (“**Purchase Assets**”). In consideration for the Purchased Assets, the Company paid USD \$2,120 in cash, issued 1,222,551 common shares with a fair value of \$3,962,867, and granted USD \$294,405 loan to Qples. The loan was paid directly by the Company to the Small Business Administration (“SBA”) on behalf of Qples as repayment in full by Qples of its loan from the SBA. The loan is subject to repayment by Qples to the Company using proceeds from the sale of 114,212 shares of the Company (“SBA Pay-out Shares”), on the date that is four months and one day after the issuance of SBA Pay-Out shares. As at March 31, 2022, Qples has not disposed of the SBA Pay-Out shares and the loan due to the Company is outstanding and payable on demand.

As additional consideration for the Purchased Assets, subject to the approval of the TSX Venture Exchange, in the event the aggregate gross revenue generated directly from the Purchase Assets during the period January 1, 2021 to December 31, 2021 exceed \$1,600,000 and \$3,200,000, the Company shall issue to Qples an aggregate of \$500,000 and \$1,000,000 of Earn-Out Shares respectively (“Revenue Targets”). As at March 31, 2022, Revenue Targets were not reached and no Earn-Out Shares were due to Qples.

- c) On November 8, 2021, the Company completed its acquisition of certain assets and assume certain liabilities related to the PassWallet application from Quicket GmbH. In consideration, the Company paid \$511,153 in cash and issued 301,480 common shares of the Company at fair market value of \$542,664.

**Fobi AI Inc. (formerly Loop Insights Inc.)**

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

(Unaudited)

**9. Intellectual Property (continued)**

	Digital2go	Qples	Quicket	Total *
Cost:				
Balance, June 30, 2021	\$ 199,500	\$ -	\$ -	\$ 199,500
Additions	-	3,962,867	1,053,817	5,016,684
Disposal	-	-	-	-
<b>Balance, March 31, 2022</b>	<b>199,500</b>	<b>3,962,867</b>	<b>1,053,817</b>	<b>5,216,184</b>
Accumulated amortization:				
Balance, June 30, 2021	27,708	-	-	27,708
Additions	49,875	616,144	141,712	807,731
Disposal	-	-	-	-
<b>Balance, March 31, 2022</b>	<b>77,583</b>	<b>616,144</b>	<b>141,712</b>	<b>835,439</b>
Carrying amounts:				
Balance, June 30, 2021	\$ 171,792	\$ -	\$ -	\$ 171,792
<b>Balance, March 31, 2022</b>	<b>\$ 121,917</b>	<b>\$ 3,346,723</b>	<b>\$ 912,105</b>	<b>\$ 4,380,745</b>

\* Intellectual property is amortized over the estimated useful life of three years on a straight-line basis.

**10. Right-of-use Assets**

	Right-of-Use Vehicle**
Cost:	
Balance, June 30, 2021	\$ 56,588
Additions	-
Disposal	-
<b>Balance, March 31, 2022</b>	<b>56,588</b>
Accumulated amortization:	
Balance, June 30, 2021	18,916
Additions	14,710
Disposal	-
<b>Balance, March 31, 2022</b>	<b>33,626</b>
Carrying amounts:	
Balance, June 30, 2021	\$ 37,672
<b>Balance, March 31, 2022</b>	<b>\$ 22,962</b>

\*\* Right-of-use vehicle was amortized using the straight-line basis until its lease expiration in May 2024.

## Fobi AI Inc. (formerly Loop Insights Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2022

(Expressed in Canadian dollars)

(Unaudited)

### 11. Intangible Assets

Cost:	
Balance, June 30, 2021	\$ 905,643
Additions	-
Disposal	-
<b>Balance, March 31, 2022</b>	<b>905,643</b>
Accumulated amortization:	
Balance, June 30, 2021	31,647
Additions	114,855
Disposal	-
<b>Balance, March 31, 2022</b>	<b>146,502</b>
Carrying amounts:	
Balance, June 30, 2021	\$ 873,966
<b>Balance, March 31, 2022</b>	<b>\$ 759,141</b>

The Company reviews the carrying value of its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. During the nine months ended March 31, 2022, the Company did not identify any indicators of impairment.

### 12. Related Party Transactions

The Company has identified its directors and senior officers as its key management personnel. No post employment benefits, other long-term benefits and termination benefits were made during the nine months ended March 31, 2022. Short-term key management compensation during the nine months ended March 31, 2022 and 2021 consists of the following:

	<b>Nine Months Ended March 31, 2022</b>	<b>Nine Months Ended March 31, 2021</b>
Salaries, wages and professional fees	\$ 1,023,852	\$ 602,789
Share-based payments	2,984,117	936,233
	<b>\$4,007,969</b>	<b>\$ 1,539,022</b>

### 13. Convertible Debentures

During the year ended June 30, 2019, the Company issued unsecured convertible debentures for gross proceeds of \$360,000 (the "Debentures"). The Debentures accrue interest at a rate of 12%, payable semi-annually, and mature two years from issuance. At the option of the holders, the debentures, and any accrued and unpaid interest, may be converted to common shares of the Company at a price of \$1.50 per common share. On January 11, 2021, the Debentures were converted to common shares of the Company at a price of \$1.50 per common share. The Company accrued \$86,913 as interest on the Debentures until the date of conversion. The total of interest has been waived as per the agreement between the Company and the holders and has been recognized as gain on settlement of the convertible debentures.

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### 14. Lease Liabilities

	\$
Balance at June 30, 2021	39,130
Additions	–
Interest expense	4,152
Lease payments	(18,687)
Balance at March 31, 2022	24,595
Less: current portion	(10,178)
	<u>14,417</u>

The following is a schedule of future minimum lease payments as of September 30, 2021:

Fiscal year ending June 30:	Vehicle \$
2022	3,397
2023	13,589
2024	12,456
Net minimum lease payments	29,442
Less: amount representing interest payments	(4,847)
Present value of net minimum lease payments	24,595
Less: current portion	(10,178)
Long-term portion	<u>14,417</u>

### 15. Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

During the nine months ended March 31, 2022:

- a) The Company issued 1,222,551 common shares with a fair value of \$3,962,867 pursuant to the acquisition of Purchased Assets from Qples as further described in Note 9b.
- b) The Company issued 301,480 common shares with a fair value of \$542,664 pursuant to the acquisition of certain assets and assume certain liabilities related to the PassWallet application from Quicket GmbH as further described in Note 92c.
- c) The Company issued a total of 2,662,000 common shares pursuant to the exercise of stock options between \$0.11 to \$1.09 per share for gross proceeds of \$1,169,023.
- d) The Company issued a total of 7,135,000 common shares pursuant to the exercise of warrants between \$0.15 to \$0.35 per share for gross proceeds of \$1,510,250.

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**16. Share Purchase Warrants**

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2021	13,792,295	\$ 0.54
Issued	-	-
Exercised	(7,135,000)	0.21
Expired	-	-
Balance, March 31, 2022	6,657,295	\$ 0.89

The following table summarizes warrants outstanding as at March 31, 2022.

Exercise Price \$	Number of Warrants Outstanding	Expiry Date
0.15	1,581,260	April 30, 2022
0.15	520,000	July 9, 2022
0.35	41,000	October 3, 2022
0.35	1,205,000	November 5, 2022
1.25	343,035	June 30, 2023
1.60	2,967,000	June 30, 2023
	6,657,295	

**17. Stock Options**

The following table summarizes information about the stock options.

	Nine Months Ended March 31, 2022		Year Ended June 30, 2021	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding – beginning of period	14,119,750	\$0.61	6,866,500	0.49
Granted	4,850,500	\$1.18	13,038,750	0.64
Exercised	(3,417,500)	\$0.44	(4,019,250)	0.33
Forfeited/Expired	(1,768,750)	\$0.96	(1,766,250)	0.71
Outstanding – end of period	13,784,000	\$0.76	14,119,750	0.61
Exercisable – end of period	12,013,000	\$0.69	9,918,500	0.41

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### 17. Stock Options (continued)

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2022.

Exercise Price \$	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Contracted Life (Years)
0.10 - \$0.90	7,239,500	7,329,500	2.17
\$1.00 - \$1.99	6,544,500	4,773,500	3.88
	13,784,000	12,013,000	2.78

The fair value of stock options granted was determined using the Black-Scholes option pricing model.

During the nine months September 30, 2021, the Company granted 4,850,500 (2020 – 13,038,750) stock options with a fair value of \$5,213,979. The Company recognized share-based compensation expense of \$7,645,328 of which \$2,279,907 (2021 - \$1,578,990) pertains to directors and officers of the Company.

Weighted average assumptions used in calculating the fair value of stock-based compensation expense were as follows:

	2022	2021
Exercise price	\$1.18	\$0.61
Risk-free rate	1.30%	0.51%
Dividend yield	–	–
Volatility	145%	162%
Expected forfeitures	–	–
Weighted average expected life of the options (years)	5.00	5.00

### 18. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued share capital, share-based payment reserve and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its board of directors, will balance its overall capital structure through new equity issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended June 30, 2021.

### 19. Commitments and Contingencies

The Company had no significant commitments or contractual obligations with any parties respecting executive compensation, consulting arrangements, or other matters outside of the normal course of operations, other than those described already.

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### 20. Financial Instruments and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument and related risks. Those risks and management's approach to mitigating those risks are as follows:

#### (a) Fair Values

The fair values of financial instruments, which include cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, deferred revenue, lease liabilities and obligations under finance lease approximate their carrying values due to the relatively short-term maturity of these instruments.

#### (b) 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 exposure to credit risk is in its cash and receivables. Cash is held with major banks in Canada and the United States, which are high credit quality financial institutions as determined by rating agencies. The carrying amount of financial assets represents the maximum credit exposure.

#### (c) Currency Risk

The Company's functional currency is the Canadian dollar. Currency risk is the risk that the fair value of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company's head office and operating expenses are mainly denominated in Canadian dollars. A large portion of the Company's revenue is denominated in US dollars and the Euro. If the US dollar and the Euro depreciates compared to the Canadian dollar revenue would decrease in Canadian dollars.

#### (d) Interest Rate Risk

The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates and its short-term term deposits at prescribed market rates. The fair value of the Company's cash is not significantly affected by changes in short-term interest rates. The income earned from the bank accounts and short-term term deposits is subject to movements in interest rates.

#### (e) Liquidity and Funding Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Management maintains sufficient cash to satisfy short-term liabilities in highly liquid investments.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. A summary of the Company's obligations is as follows:

	Carrying amount	Contractual cash flows	1 year or less	1 -5 Years
As at March 31, 2022	\$	\$	\$	\$
Trade and other payables	1,413,146	1,413,146	1,413,146	—
Lease liabilities	24,595	29,442	13,589	15,853
	1,437,741	1,442,588	1,426,735	15,853



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### **21. Subsequent Events**

- a) Subsequent to period end, the Company granted 942,500 stock options to certain officers and employees of the Company. The stock options have an exercise price between \$0.84, vests over two years and are exercisable until between April 6, 2027.
- b) Subsequent to period end, the Company granted 25,000 stock options to an employee of the Company. The stock options have an exercise price between \$0.51, vests immediately and are exercisable until between May 12, 2027.
- c) Subsequent to period end, the Company granted 350,000 stock options to certain consultants. The stock options have an exercise price of \$0.51 per share, vest immediately and are exercisable until May 12, 2027.
- d) Subsequent to period end, 78,500 stock options were exercised between \$0.11 to \$0.62 per share for total proceeds of \$28,005.
- e) Subsequent to period end, 3,000 stock options with an exercise price of \$0.62 expired unexercised
- f) Subsequent to period end, 1,581,260 warrants were exercised at \$0.15 per share for total proceeds of \$237,189.