

URBANIMMERSIVE INC.

Interim Condensed Consolidated Financial Statements (unaudited)

For the three-month and nine-month periods ended June 30, 2022 and 2021

URBANIMMERSIVE INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Notice to Reader

The accompanying unaudited interim condensed consolidated financial statements of Urbanimmersive Inc. (the "Corporation") for the three-month and nine-month periods ended on June 30, 2022 and 2021 have been prepared by the management and are its responsibility. These unaudited interim condensed consolidated financial statements, together with the accompanying notes, have been reviewed and approved by the members of the Corporation's Board of Directors. These unaudited interim condensed consolidated financial statements have not been reviewed by the Corporation's auditors.

URBANIMMERSIVE INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three and nine-month periods ended June 30, 2022 and 2021

(Unaudited - in Canadian dollars)

	Notes	June 30, 2022 (3 months) \$	June 30, 2021 (3 months) \$	June 30, 2022 (9 months) \$	June 30, 2021 (9 months) \$
Revenues		2,850,198	1,101,925	6,027,258	2,981,430
Cost of goods sold		18,649	228,596	84,906	708,441
Direct charges	13	1,417,659	140,522	2,780,639	308,573
Amortization		336,221	139,613	904,441	472,005
Gross margin		<u>1,077,669</u>	<u>593,194</u>	<u>2,257,272</u>	<u>1,492,411</u>
Operating expenses	13	<u>1,277,661</u>	<u>830,379</u>	<u>3,653,617</u>	<u>1,951,851</u>
Operational income (loss)		<u>(199,992)</u>	<u>(237,185)</u>	<u>(1,396,345)</u>	<u>(459,440)</u>
Other expenses (revenues)					
Interest revenues		-	-	(495)	-
Financial expenses	14	92,420	37,321	238,370	1,810,708
Loss (gain) on disposal of assets		-	-	(5,117)	-
Impairment of intangible assets and goodwill	5	-	-	278,645	-
Change in fair value of embedded derivatives		-	-	-	(174,000)
Change in fair value of warrants		(7,410)	(25,740)	(42,120)	34,480
		<u>85,010</u>	<u>11,581</u>	<u>469,283</u>	<u>1,671,188</u>
Loss before taxes		(285,002)	(248,766)	(1,865,628)	(2,130,628)
Current income taxes		32	-	(2,834)	1,303
Net loss		<u>(285,034)</u>	<u>(248,766)</u>	<u>(1,862,794)</u>	<u>(2,131,931)</u>
Net loss per common share					
Basic net loss per common share	12	(0.01)	(0.03)	(0.05)	(0.11)
Diluted net loss per common share	12	(0.01)	(0.01)	(0.05)	(0.03)

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

URBANIMMERSIVE INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at (Unaudited - in Canadian dollars)

	Notes	June 30, 2022	September 30, 2021
		\$	\$
ASSETS			
Current assets			
Cash		923,420	1,677,917
Trade and other receivables		345,085	290,661
Inventories		37,281	118,424
Research and development credits receivable		40,000	-
Prepaid expenses		68,595	39,232
Loan to an employee, 1.0%, maturing in September 2022		-	36,491
		<u>1,414,381</u>	<u>2,162,725</u>
Non-current assets			
Property and equipment	4	1,087,379	1,103,140
Intangible assets	5	7,582,836	5,134,266
Right-of-use assets	16	177,682	-
Goodwill	6	9,783,351	4,231,914
		<u>18,631,248</u>	<u>10,469,320</u>
Total assets		<u><u>20,045,629</u></u>	<u><u>12,632,045</u></u>
LIABILITIES			
Current liabilities			
Trade and other payables		903,669	556,633
Deferred revenue		33,671	37,555
Balance of purchase	2	73,903	117,426
Current portion of long-term debt	8	558,508	317,670
Current portion of lease liabilities		56,746	-
		<u>1,626,497</u>	<u>1,029,284</u>
Non-current liabilities			
Long-term debts	8	3,131,129	1,537,563
Lease liabilities		118,280	-
Warrants		-	42,120
Deferred tax liabilities		607,419	607,419
		<u>3,856,828</u>	<u>2,187,102</u>
Total liabilities		<u><u>5,483,325</u></u>	<u><u>3,216,386</u></u>
EQUITY			
Share capital	9	29,979,490	23,274,566
Contributed surplus		32,458	32,458
Provision for share options and warrants		2,201,319	1,896,803
Other comprehensive income		65,429	65,429
Own shares held	2	(12,000)	(12,000)
Deficit		(17,704,392)	(15,841,597)
Total equity		<u><u>14,562,304</u></u>	<u><u>9,415,659</u></u>
Total liabilities and equity		<u><u>20,045,629</u></u>	<u><u>12,632,045</u></u>

The accompanying notes are an integral part of the interim condensed consolidated financial statements

URBANIMMERSIVE INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three-month and nine-month periods ended June 30, 2022 and 2021

(Unaudited - in Canadian dollars)

	Notes	Share capital		Own	Contributed	Provision for	Other	Deficit	Total
		Number	\$	shares held	surplus	share options and warrants	comprehensive income (loss)		
			\$	\$	\$	\$	\$	\$	\$
Balance on October 1st, 2020		17,599,785	12,404,472	-	32,458	1,937,497	65,429	(12,132,862)	2,306,994
Issuance of shares upon conversion of convertible debentures		7,252,000	4,532,500	-	-	-	-	-	4,532,500
Issuance of shares as part of a private placement	9	3,000,016	3,000,016	-	-	-	-	-	3,000,016
Issuance of shares as part of acquisitions	2	1,320,000	1,155,000	-	-	-	-	-	1,155,000
Issuance of shares as part of settlement of liabilities	9	338,475	265,569	-	-	-	-	-	265,569
Issuance of shares upon conversion of warrants	9	524,240	327,650	-	-	-	-	-	327,650
Issuance of shares upon conversion of options	9	162,349	85,288	-	-	-	-	-	85,288
Share-based payments	10	-	-	-	-	132,443	-	-	132,443
Share payments	10	164,761	150,415	-	-	-	-	-	150,415
Costs related to the issuance of shares	10	-	(52,125)	-	-	-	-	-	(52,125)
Net loss		-	-	-	-	-	-	(2,131,931)	(2,131,931)
Balance on June 30, 2021		<u>30,361,626</u>	<u>21,868,785</u>	<u>-</u>	<u>32,458</u>	<u>2,069,940</u>	<u>65,429</u>	<u>(14,264,793)</u>	<u>9,771,819</u>
Balance on October 1st, 2021		30,460,692	23,274,566	-	32,458	1,896,803	65,429	(15,841,597)	9,415,659
Issuance of shares as part of a private placement	9	134,894	59,312	-	-	65,828	-	-	125,140
Issuance of shares as part of acquisitions	2	5,730,616	4,808,501	-	-	-	-	-	4,808,501
Issuance of shares upon conversion of warrants	9	202,560	126,600	-	-	-	-	-	126,600
Issuance of shares upon conversion of options	9	100,000	36,250	-	-	-	-	-	36,250
Shares to be issued as part of an acquisition	2	-	1,505,000	-	-	-	-	-	1,505,000
Share-based payments	10	-	-	-	-	238,687	-	-	238,687
Share payments	10	359,287	196,540	-	-	-	-	-	196,540
Cost related to the issuance of shares	10	-	(27,279)	-	-	-	-	-	(27,279)
Net loss		-	-	-	-	-	-	(1,862,794)	(1,862,794)
Balance on June 30, 2022		<u>36,988,050</u>	<u>29,979,490</u>	<u>-</u>	<u>32,458</u>	<u>2,201,318</u>	<u>65,429</u>	<u>(17,704,391)</u>	<u>14,562,304</u>

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

URBANIMMERSIVE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month and nine-month periods ended June 30, 2022 and 2021

(Unaudited - in Canadian dollars)

	Notes	June 30, 2022 (3 months)	June 30, 2021 (3 months)	June 30, 2022 (9 months)	June 30, 2021 (9 months)
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Net loss		(285,034)	(248,765)	(1,862,794)	(2,131,928)
Non-cash profit or loss items					
Amortization - Property and equipment		36,968	9,938	112,397	47,407
Amortization - Intangible assets		279,213	128,648	764,742	421,515
Amortization - Right-of-use assets		19,861	1,027	27,303	3,083
Amortization - Cost related to the issuance of long-term debt and convertible debentures		1,375	2,923	5,186	266,335
Impairment of intangible assets		-	-	278,645	-
Share-based, share and unit payments		160,198	103,719	435,227	282,858
Theoretical interest on lease liabilities		3,508	276	4,997	830
Theoretical interest on convertible debentures		-	-	-	1,285,285
Loss (gain) on asset disposal		-	-	(5,117)	-
Change in fair value of embedded derivatives		-	-	-	(174,000)
Change in fair value of warrants		(7,410)	(25,740)	(42,120)	34,480
		208,679	(27,974)	(281,534)	35,865
Change in non-cash working capital items	14	156,676	38,473	229,204	(4,391)
Net cash related to operating activities		365,355	10,499	(52,330)	31,474
INVESTING ACTIVITIES					
Acquisition of businesses	2	-	(1,424,712)	(2,567,699)	(1,424,712)
Acquisition of tangibles assets	4	(39,315)	(30,599)	(162,751)	(347,887)
Disposal of tangibles assets	4	-	-	86,827	-
Acquisition of intangibles assets	5	(51,585)	(95,792)	(134,536)	(300,976)
Cash acquired through acquisitions	2	598	-	201,318	-
Net cash related to investing activities		(90,302)	(1,551,103)	(2,576,841)	(2,073,575)
FINANCING ACTIVITIES					
Bank indebtedness	7	-	-	-	-
Long-term debts	8	-	-	2,000,000	230,800
Repayment of long-term debts	8	(86,170)	(230,530)	(159,782)	(340,876)
Repayment of lease liabilities	16	(11,538)	(1,343)	(31,523)	(4,027)
Repayment of balance of purchase	2	(77,306)	-	(194,732)	-
Loan to an employee		-	83,300	-	(56,242)
Issuance of shares	9	-	1,461,866	287,990	3,412,954
Costs related to the issuance of shares	9	-	(27,271)	(27,279)	(52,125)
Net cash related to financing activities		(175,014)	1,286,022	1,874,674	3,190,484
Increase in cash		100,039	(254,582)	(754,497)	1,148,383
Cash, beginning of period		823,381	2,287,579	1,677,917	884,614
Cash, end of period		923,420	2,032,997	923,420	2,032,997
Interest received		0	2,613	495	2,613
Interest paid		(57,933)	(20,315)	(132,156)	(61,906)

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2022 and 2021 and September 30, 2021.

(Unaudited - in Canadian dollars)

NOTE 1. STATUTES OF INCORPORATION, NATURE OF ACTIVITIES AND GOING CONCERN ASSUMPTION

URBANIMMERSIVE INC., incorporated on April 6, 2011 under the Canada Business Corporations Act, and its subsidiaries (the "Corporation"), develop and commercialize immersive a SaaS platform offering immersive marketing solutions, 3D photographic equipment and photography services addressed to professional photographers. Corporation's common shares are listed on the TSX Venture under the symbol UI and on the OTCQB Venture under the symbol UBMRF. The Corporation's head office is located at 306-3135, Moise-Vincent blvd., St-Hubert, Quebec, Canada.

These interim condensed consolidated financial statements, approved by the Board of Directors on August 25, 2022, have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim condensed consolidated financial statements, including IAS 34, "Interim Financial Reporting". These interim condensed consolidated financial statements as well as the related notes should be read in conjunction with audited consolidated financial statements of the Corporation as at September 30, 2021.

The accompanying condensed consolidated interim financial statements have been prepared in accordance with IFRS, applicable to a going concern company, which considers the realization of assets and the settlement of liabilities in the normal course of business as they occur. As of June 30, 2022, there are uncertainties that cast doubt on the Company's ability to continue its operations.

For the nine-month period ended June 30, 2022, the Corporation recorded net loss of \$1,862,794 (net loss of \$2,131,931 for the nine-month period ended June 30, 2021) and used cash flows for its operating activities of \$52,330 (generated \$31,475 for the nine-month period ended June 30, 2021). As of June 30, 2022, the Corporation's cash amounted to \$923,420 along with unused lines of credit of \$394,000 and a positive working capital of \$403,138 (excluding the short-term portion of the long-term debts and lease liabilities).

The Corporation has prepared a budget using assumptions that management considers reasonable. Achieving budgeted results depends mainly on the increase of sales, compliance with the gross operating margin forecast, support of its financial partners, control of general and administrative expenses as well as the economical and financial impact resulting from the Covid-19 sanitary crisis which may cause material changes in assets or liabilities and have a material impact on its future operations. For the nine-month period ended on June 30, 2022, the sanitary crisis has significant impact on the Company coming from unusual real estate market conditions including historical low listings and transactions and very quick sales turnover (seller market). The Company has taken and will continue to take proper actions following these events to minimize its impact on its business. However, it is impossible to determine all the financial implications of these events in the future. The sanitary crisis may have an impact on the Company's ability to execute its business plan and raise capital. Based on its recent financial results and current liquidities, Management believes the Company will be able to continue to execute its business plan and commercial strategy.

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2022 and 2021 and September 30, 2021.

(Unaudited - in Canadian dollars)

NOTE 2. ACQUISITIONS OF BUSINESSES

For the Corporation, those acquisitions described below meet its goal to integrate vertically its activities and offers a full set of 3D immersive technological solutions to its professional photographers.

Those transaction meet the definition of a business combination under IFRS 3 Business Combinations and therefore was accounted for using the purchase method. The acquiree's identifiable assets and liabilities are recognized at their fair values at the date of acquisition. The transaction costs associated with business combinations are expensed as incurred unless they constitute the costs associated with issuing debt or equity securities.

Goodwill represents the excess of the fair value of the consideration transferred in a business acquisition over the fair values of identifiable net assets acquired and liabilities assumed in such acquisitions. Goodwill is measured at the date that control is obtained. Goodwill mainly represents expected synergies on expenses. Goodwill is not expected to be tax deductible.

Immophoto

On November 24, 2021, the Corporation acquired 100% of the shares of Immophoto Inc. ('Immophoto'), a real estate photography agency, in exchange of the following

- Cash consideration of \$300,000;
- Issuance of 103,093 common shares of the Company at a price of \$0.97 per common share;
- Contingent payment ('Earn-out') of up to \$100,000, payable in shares on November 23, 2022.

The allocation of the identifiable assets acquired and liabilities assumed on the acquisition are as follows:

	\$
Consideration paid	
Cash	300,000
Issuance of common shares (note 10)	100,000
Earn-out payable in shares, discounted	30,000
	430,000
Consideration receivable (working capital adjustment clause)	(3,303)
Net consideration paid	426,697
Assets acquired	
Cash	39,393
Trade and other receivables	15,888
Property and equipment	2,906
Customer relations	215,000
Goodwill	187,095
	460,282
Liabilities assumed	
Trade and other payables	33,585
	33,585
Net consideration paid	426,697

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2022 and 2021 and September 30, 2021.

(Unaudited - in Canadian dollars)

NOTE 2. ACQUISITION OF BUSINESSES (Continued)

Virtual Access Tours LP

On December 5, 2021, the Corporation acquired 100% of the LP units of Virtual Access Tours LP ("VAT"), a real estate photography agency, in exchange of the following

- Cash consideration of \$448,600;
- Issuance of 589,829 common shares of the Company at a price of \$0.875 per common share;
- Contingent payment ('earn-out') of up to \$US 450,000, payable in shares, with \$US 225,000 payable as of December 5, 2022 and \$US 225,000 payable as of December 5,

The allocation of the identifiable assets acquired and liabilities assumed on the acquisition are as follows:

	\$
Consideration paid	
Cash	448,600
Issuance of common shares (note 10)	512,600
Earn-out payable in shares, discounted	200,000
	1,161,200
Consideration receivable (working capital adjustment clause)	(9,711)
Net consideration paid	1,151,489
Assets acquired	
Cash	66,620
Trade and other receivables	7,756
Trademarks	45,000
Customer relations	320,000
Goodwill	757,764
	1,197,141
Liabilities assumed	
Trade and other payables	45,652
	45,652
Net consideration paid	1,151,489

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2022 and 2021 and September 30, 2021.

(Unaudited - in Canadian dollars)

NOTE 2. ACQUISITION OF BUSINESSES (Continued)

Imoto

On December 10, 2021, the Corporation acquired 100% of the units of Imoto LLC ('Imoto'), a real estate photography agency, in exchange of the following consideration:

- Cash consideration of \$1,951,209;
- 3,157,115 common shares of the Company issued at a price of \$0.85 per common share;
- Contingent payment ('earn-out') of up to \$2,312,000, payable in shares, with \$770,667 payable per year over a maximum of three years.

The allocation of the identifiable assets acquired and liabilities assumed on the acquisition are as follows:

	\$
Consideration paid	
Cash	1,800,000
Issuance of common shares (note 10)	2,683,547
Balance of purchase	151,209
Earn-out payable in shares, discounted	1,000,000
	5,634,756
Assets acquired	
Cash	95,041
Trade and other receivables	5,464
Trademarks	250,000
Customer relations	1,450,000
Goodwill	3,920,158
	5,720,663
Liabilities assumed	
Trade and other payables	85,907
	85,907
Consideration paid	5,634,756

Stilio

On December 10, 2021, the Corporation acquired 100% of the units of Stilio LLC ('Stilio'), a real estate virtual marketplace, in exchange of the following consideration:

- Cash consideration of \$19,377;
- Issuance of 349,828 common shares of the Company at a price of \$0.85 per common share;

The allocation of the identifiable assets acquired and liabilities assumed on the acquisition are as follows:

Consideration paid	
Cash	19,099
Issuance of common shares (note 10)	297,354
	316,453
Net assets acquired	
Cash	598
Software, websites and technological platforms	315,855
	316,453

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2022 and 2021 and September 30, 2021.

(Unaudited - in Canadian dollars)

NOTE 2. ACQUISITION OF BUSINESSES (Continued)

Agento Marketing

On December 15, 2021, the Corporation acquired 100% of the shares of 10366358 Canada Inc. ('Agento Marketing'), a real estate photography agency, in exchange of the

- Issuance of 1,518,987 common shares of the Company at a price of \$0.79 per common share;
- Contingent payment ('earn-out') of up to \$600,000, payable in shares on December 15, 2022.

The allocation of the identifiable assets acquired and liabilities assumed on the acquisition are as follows:

	\$
Consideration paid	
Issuance of common shares (note 10)	1,200,000
Earn-out payable in shares, discounted	275,000
	1,475,000
Consideration receivable (working capital adjustment clause)	(52,021)
Net consideration paid	1,422,979
Assets acquired	
Cash	(334)
Trade and other receivables	41,387
Prepaid expenses	500
Property and equipment	19,014
Right-of-use assets	19,846
Customer relations	515,000
Goodwill	910,986
	1,506,399
Liabilities assumed	
Trade and other payables	63,574
Lease liabilities	19,846
	83,420
Net consideration paid	1,422,979

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2022 and 2021 and September 30, 2021.

(Unaudited - in Canadian dollars)

NOTE 2. ACQUISITION OF BUSINESSES (Continued)

EGP Technovirtuel Inc. ('EGP')

On June 30, 2021, the Corporation acquired 100% of the shares of EGP Technovirtuel Inc. ('EGP'), a real estate photography agency, in exchange of the following

- Cash consideration of \$1,700,000;
- Issuance of 1,142,857 common shares of the Company at a price of \$0.875 per common share discounted by 25% because the shares cannot be traded for a period of 18 months.
- Balance of sale of \$117,426 paid on November 8, 2021;

The allocation of the identifiable assets acquired and liabilities assumed on the acquisition are as follows:

	\$
Consideration paid	
Cash	1,700,000
Issuance of common shares (note 16)	750,000
Balance of purchase	117,426
	2,567,426
Assets acquired	
Cash	320,528
Trade and other receivables	140,546
Prepaid expenses	4,149
Property and equipment	42,494
Software, websites and technological platforms	482,115
Trademarks	108,875
Customer relations	704,911
Goodwill	1,259,789
	3,063,407
Liabilities assumed	
Bank indebtedness	40,000
Trade and other payables	106,797
Deferred income taxes	349,184
	495,981
Consideration paid	2,567,426

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2022 and 2021 and September 30, 2021.

(Unaudited - in Canadian dollars)

NOTE 2. ACQUISITION OF BUSINESSES (Continued)

Graphique ID Solutions Inc.

On June 30, 2021, the Corporation acquired 100% of the shares of Graphique ID Solutions Inc. ('Graphique ID'), a real estate photography agency, in exchange of the following consideration:

- Cash consideration of \$30,000;
- Issuance of 80,000 common shares of the Corporation at a price of \$0.875 per common share;

The allocation of the identifiable assets acquired and liabilities assumed on the acquisition are as follows:

	\$
Consideration paid	
Cash	30,000
Issuance of common shares (note 16)	70,000
	100,000
Consideration receivable (working capital adjustment clause)	(16,801)
Net consideration paid	83,199
Assets acquired	
Cash	28,515
Short-term investment in Urbanimmersive	12,000
Trade and other receivables	1,811
Property and equipment	2,451
Client relations	24,191
Goodwill	79,769
	148,737
Liabilities assumed	
Trade and other payables	59,127
Deferred income taxes	6,411
	65,538
Net consideration paid	83,199

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2022 and 2021 and September 30, 2021.

(Unaudited - in Canadian dollars)

NOTE 2. ACQUISITION OF BUSINESSES (Continued)

La Clique Mobile

On June 30, 2021, the Corporation acquired all of the intangible assets of La Clique Mobile S.E.N.C., a real estate photography agency, in exchange of the following consideration:

- Cash consideration of \$40,000;
- Issuance of 97,143 common shares of the Corporation at a price of \$0.875 per common share;

The allocation of the identifiable assets acquired and liabilities assumed on the acquisition are as follows:

	\$
Consideration paid	
Cash	40,000
Issuance of common shares (note 16)	85,000
	<u>125,000</u>
Assets acquired	
Client relations	48,324
Goodwill	89,482
	<u>137,806</u>
Liabilities assumed	
Deferred income taxes	12,806
	<u>12,806</u>
Consideration paid	<u>125,000</u>

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2022 and 2021 and September 30, 2021.

(Unaudited - in Canadian dollars)

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and evaluation of interim condensed financial statements

The interim condensed consolidated financial statements are prepared using the significant accounting policies described in the present note. These methods have been applied consistently to all periods presented in these consolidated financial statements.

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for the embedded derivatives on convertible debentures and

Basis of consolidation

The interim condensed consolidated financial statements include those of the parent company and its wholly-owned subsidiaries, Immersolution (Canada), Urbanimmersive USA Corp., Immersolution (Mexico) since November 18, 2020, EGP Technovirtuel Inc. and Graphique ID Solutions Inc. since June 30, 2021, Immophoto and Tours Virtuales since November 24, 2021, Virtual Access Tours LP since December 5, 2021, Imoto LLC and Stilio LLC since December 10, 2021 and Agento Marketing since December 15, 2021. The parent company controls its subsidiaries if exposed, or has rights to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. The annual reporting date of the subsidiaries is September 30.

All transactions and balances between group companies are eliminated upon consolidation, including unrealized profits and losses on transactions between group companies. The amounts presented in the financial statements of the subsidiary have been adjusted as needed so that they comply with the accounting policies adopted by the

Net earnings (loss) and other comprehensive income (loss) of a subsidiary acquired or disposed of during the reporting period are recognized from the effective date of the acquisition, or up to the effective date of disposal, as applicable.

Business combination

The Company applies the purchase method to account for business combinations. The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum, at the acquisition date, of the fair values of the transferred assets, the debts incurred and the equity securities issued by the Company, which include the fair value of all assets or liabilities resulting from any counterparty agreement. Acquisition costs are expensed when incurred. Assets acquired and liabilities assumed are generally measured at their fair value on the date of acquisition.

Functional and presentation currency

The functional currency of the Corporation is the currency of the primary economic environment in which the entity operates. The functional currency of the Canadian entities (Urbanimmersive, Immersolution Canada, EGP Technovirtuel, Graphique ID, Immophoto, Agento Marketing) is the Canadian dollar. The functional currency of the US entities (VAT, Imoto, Stilio) is the US dollar. The functional currency of the Mexican entities (Immersolution Mexico, Tours Virtuales) is the Mexican peso. The consolidated financial statements are presented in Canadian dollars, which is the reporting currency of the Corporation. The Canadian dollar was chosen as the reporting currency to provide users consolidated financial statements with a better understanding of financial results and financial position.

Foreign currency transactions and balances

The Corporation has foreign operations in United States and Mexico.

Foreign currency transactions are translated into the functional currency of the Corporation using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss. Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

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NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

The Corporation reports and discloses segment information on the same basis as the information reviewed on a regular basis by the CEO, the CFO and the Board of Directors.

Following the acquisition of Immersolution on February 13, 2020 and the acquisition of EGP, Graphique ID and La Clique Mobile on June 30, 2021, the Corporation now operates in three distinct operational segments, Software, Photographic Equipment and Services.

The Software segment offers a SaaS marketing platform to professional photographers and other immersive visual content providers.

The Photographic Equipment segment offers a resale service of 3D photographic equipment.

The Service segment offers real estate photography and floor plans and measurements services.

Each segment is managed independently since each requires different technologies and other resources, as well as separate marketing. All intersegment transactions are carried out at prices reflecting arm's length conditions based on the prices charged to unrelated customers for an identical product or service. For management purposes, the Company uses the same valuation methods as those used in its consolidated financial statements.

Revenue recognition

Revenues derived from ongoing activities are measured at the fair value of the consideration received or to be received and are recognized when the amount can be measured reliably and it is probable that future economic benefits will flow to the Corporation, when the transaction amount is determined that collection is reasonably assured and the costs incurred or to be incurred can be measured reliably.

Products that do not meet the recognition criteria or that are paid before the delivery of services are recorded as deferred revenue. They are classified either as current or non-current liabilities depending on the expected period of services to be rendered.

In addition to the general principles outlined above, the Corporation applied the following specific principles:

The Corporation has developed SaaS platforms for professional photographers and other immersive visual content providers, commonly named Urbanimmersive and Tourbuzz.

With regards to the Urbanimmersive SaaS platform, the revenue is recognized when the service is rendered to the photographer.

With regards to the Tourbuzz platform, photographers acquire units that can be used to offer various photographic products to their customers. The invoice is produced at the time of the purchase of the units and payable immediately by credit card. The revenue is recognized when the units are used.

With regards to the resale of 3D photographic equipment, revenues are recognized when invoiced and shipped to customers.

With regards to real estate photography services, revenue is recognized when the service is rendered to the photographer.

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NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes cost of goods purchased less discounts. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the normal course of business, less applicable variable selling expenses.

Property and equipment

Property and equipment are stated at historical cost, less any accumulated amortization and any accumulated impairment losses. Historical cost includes all costs directly attributable to the acquisition.

Amortization of property and equipment is calculated, on components that have homogeneous useful lives, using the straight-line method over the following estimated useful lives:

Building	25 years
Office improvements	10 years
Office furniture	5 years
Computer and photographic equipment	3 and 4 years

Useful lives, residual values, amortization rates and amortization methods are reviewed annually. Such a review takes into consideration the nature of the assets, their intended uses and technological changes. Gain or loss on disposal is determined by comparing the proceeds with the carrying amount and is recognized in profit or loss.

Intangible assets

Intangible assets with a finite useful life are stated at historical cost, less any accumulated amortization and any accumulated impairment losses. Historical cost includes all costs directly attributable to the acquisition.

Amortization of intangible assets is calculated using the straight-line method over the following estimated useful lives:

Customer relations and reacquired franchises	10 years
Website	5 years
Technological platforms and software	5 and 10 years
Patents and trademarks	10 years
Distribution agreement	10 years

Useful lives, residual values, amortization rates and amortization methods are reviewed annually. Such a review takes into consideration the nature of the assets, their intended uses and technological changes. Gain or loss on disposal represents the difference between the proceeds and the carrying amount and is recognized in profit or loss.

Goodwill

Goodwill represents the excess of the cost of acquiring a business over the net amount of fair value assigned to the identifiable assets acquired and liabilities assumed. Goodwill is not amortized. It is tested for impairment annually during the fourth quarter or more frequently if events or changes in circumstances indicate that it has been

Government grant

Government grant relating to current expenses is recorded as a reduction of the related expenses. Government grant is recognized during the fiscal year in which the current expenses are incurred, provided the Company is reasonably certain that it will materialize.

Research and development credits

Research and development credits are accounted for using the cost reduction method whereby credits are applied against the expense or the asset to which the research and development credits relates. Research and development credits are recognized in the year in which the related expenses are incurred, provided there is reasonable assurance that the amounts will be recovered.

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NOTE 4. PROPERTY AND EQUIPMENT

	Building	Office improvements and furniture	Computer and photography equipment	Total
	\$	\$	\$	\$
Cost				
Balance as at October 1, 2020	683,488	321,525	420,560	1,425,573
Acquisitions	10,768	27,921	57,242	95,931
Acquisitions of businesses (note 2)	<u>13,891</u>	<u>8,731</u>	<u>22,322</u>	<u>44,944</u>
Balance as at September 30, 2021	708,147	358,177	500,124	1,566,448
Acquisitions	-	5,378	157,373	162,751
Disposals	-	-	(86,827)	(86,827)
Acquisitions of businesses (note 2)	<u>-</u>	<u>-</u>	<u>19,860</u>	<u>19,860</u>
Balance as at June 30, 2022	<u><u>708,147</u></u>	<u><u>363,555</u></u>	<u><u>590,530</u></u>	<u><u>1,662,232</u></u>
Accumulated amortization				
Balance as at October 1, 2020	5,168	3,160	373,988	382,316
Amortization	<u>27,669</u>	<u>35,939</u>	<u>17,384</u>	<u>80,992</u>
Balance as at September 30, 2021	32,837	39,099	391,372	463,308
Amortization	20,771	35,035	56,591	112,397
Disposals	<u>-</u>	<u>-</u>	<u>(852)</u>	<u>(852)</u>
Balance as at June 30, 2022	<u><u>53,608</u></u>	<u><u>74,134</u></u>	<u><u>447,111</u></u>	<u><u>574,853</u></u>
Carrying amount				
Balance as at September 30, 2021	<u><u>675,310</u></u>	<u><u>319,078</u></u>	<u><u>108,752</u></u>	<u><u>1,103,140</u></u>
Balance as at June 30, 2022	<u><u>654,539</u></u>	<u><u>289,421</u></u>	<u><u>143,419</u></u>	<u><u>1,087,379</u></u>

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited - in Canadian dollars)

NOTE 5. INTANGIBLE ASSETS

	Customer relations and reacquired franchise	Patents and trademarks	Software, websites and technological platforms	Distribution Agreement	Total
	\$	\$	\$	\$	\$
Cost					
Balance as at October 1, 2020	3,327,895	84,593	2,568,358	66,576	6,047,422
Acquisitions of businesses (note 2)	777,426	108,875	482,115	-	1,368,416
Internally generated	-	35,725	359,229	-	394,954
	<u>-</u>	<u>35,725</u>	<u>359,229</u>	<u>-</u>	<u>394,954</u>
Balance as at September 30, 2021	4,105,321	229,193	3,409,702	66,576	7,810,792
Acquisitions of businesses (note 2)	2,500,000	295,000	337,855	-	3,132,855
Internally generated	-	-	134,536	-	134,536
	<u>-</u>	<u>-</u>	<u>134,536</u>	<u>-</u>	<u>134,536</u>
Balance as at June 30, 2022	<u>6,605,321</u>	<u>524,193</u>	<u>3,882,093</u>	<u>66,576</u>	<u>11,078,183</u>
Accumulated amortization					
Balance as at October 1, 2020	1,175,237	30,670	821,716	4,161	2,031,784
Amortization	300,887	11,191	326,006	6,658	644,742
	<u>300,887</u>	<u>11,191</u>	<u>326,006</u>	<u>6,658</u>	<u>644,742</u>
Balance as at September 30, 2021	1,476,124	41,861	1,147,722	10,819	2,676,526
Amortization	416,614	34,842	311,608	1,678	764,742
Amortization	-	-	-	54,079	54,079
	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,079</u>	<u>54,079</u>
Balance as at June 30, 2022	<u>1,892,738</u>	<u>76,703</u>	<u>1,459,330</u>	<u>66,576</u>	<u>3,495,347</u>
Carrying amount					
Balance as at September 30, 2021	<u>2,629,197</u>	<u>187,332</u>	<u>2,261,980</u>	<u>55,757</u>	<u>5,134,266</u>
Balance as at June 30, 2022	<u>4,712,583</u>	<u>447,490</u>	<u>2,422,763</u>	<u>-</u>	<u>7,582,836</u>

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(Unaudited - in Canadian dollars)

NOTE 6. GOODWILL

	June 30, 2022	September 30, 2021
	\$	\$
Balance, beginning of period	4,231,914	2,802,874
Acquisitions of businesses (a) (note 2)	5,776,003	1,429,040
Impairment (b)	<u>(224,566)</u>	<u>-</u>
Balance, end of period	<u>9,783,351</u>	<u>4,231,914</u>

(a) Goodwill was tested for impairment as of September 30, 2021 and 2020 for those CGUs: SaaS (Urbanimmersive), Photography Equipment (Immersolution) and Services (EGP, Graphique ID and Clique Mobile).

(b) Following the termination of the Matterport photography equipment distribution in January 2022, Immersolution goodwill has been reduced to \$nil.

NOTE 7. BANK INDEBTEDNESS

The Corporation benefits from a line of credit of a maximum of \$240,000 with a financial institution, bearing interest at the financial institution variable rate plus 1.50% (4.07% as at June 30, 2022). This credit line is secured by a first mortgage of \$3,000,000 on all present and future movable property of the Corporation.

The Corporation benefits from a line of credit of a maximum of \$75,000 with a financial institution, bearing interest at the financial institution variable rate plus 1.00% (5.70% as at June 30, 2022). This credit line is secured by a first mortgage of \$86,250 on all present and future movable property of the Corporation.

The Corporation benefits from a line of credit of a maximum of \$US 35,000 with a financial institution and bearing interest at 9.90% and secured by a first mortgage of the same amount on all present and future movable property of Virtual Access Tours LP.

The Corporation benefits from a line of credit of a maximum of \$34,000 with a financial institution and bearing interest at 7.75%.

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NOTE 8.	LONG-TERM DEBT	June 30, 2022	September 30, 2021
		\$	\$
	Term loan bearing interest at the financial institution variable rate plus 3.00% (5.57% as at June 30, 2022), maturing in December 2023 and repayable in 11 monthly equal installments of \$32,222 from October to November 2022 and from March to November 2023 and the balance at maturity. This loan is secured at 50% by Export Development Canada ("EDC") and by a first mortgage of \$3,000,000 on all present and futur movable property. (a)	812,003	906,233
	Term loan bearing interest at the financial institution variable rate plus 3.00% (5.57% as at June 30, 2022), maturing in December 2023 and repayable in 14 monthly equal installments of \$3,000 from July to November 2022 and from March to November 2023 and the balance at maturity. This loan is secured by a first mortgage of \$1,000,000 on all present and futur	860,328	879,000
	Term loan bearing interest at the financial institution variable rate plus 4.5% (7.07% as at June 30, 2022), maturing in December 2023 and repayable in 11 monthly equal installments of \$44,444 from October to November 2022 and from March to November 2023 and the balance at maturity. This loan is secured at 50% by Export Development Canada ("EDC") and by a first mortgage of \$4,000,000 on all present and futur movable property. The balance of this term loan is presented net of unamortized issuance costs of \$8,250.	1,947,306	-
	Loans of \$100,000, guaranteed by the Government of Canada, bearing no interest until December 31, 2022 (b).	70,000	70,000
		3,689,637	1,855,233
	Current portion of long-term debt	558,508	317,670
		3,131,129	1,537,563

Capital payments over the next years are the following:

	\$
2023	759,745
2024	2,668,640
	3,428,385

(a) Under its term loans, the Company has not complied throughout the period with all of its restrictive covenants. However, the lender agreed to waive defaults in the cove

(b) The Corporation was granted a loan of \$100,000 under the Canada Emergency Business Account program. If the Company repays an amount of \$70,000 of the loan by December 31, 2022, no further amount will be repayable. Otherwise, the balance of the loan will bear interest at the rate of 5% and can be either repayable in 36 monthly installments, principal and interest, or repayable at maturity on December 31, 2025. Given that Government assistance of \$30,000 is not repayable if the Company repays the amount of \$70,000 by December 31, 2022, this amount was recognized in income at the time of the grant as government grant.

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NOTE 9. SHARE CAPITAL

Authorized

Unlimited number of shares, without par value

Transactions on share capital

2020-2021

For the nine-month period ended June 30, 2021, the Corporation issued 7,252,000 common shares at a price of \$0.625 per share (\$4,532,500) upon the conversion of convertible debentures. As part of this issuance, the Corporation incurred fees totaling \$22,822.

For the nine-month period ended June 30, 2021, the Corporation issued 338,475 common shares at a price of \$0.78 per share (\$265,569) in settlement of interests payable to convertible debenture holders.

From January to March 2021, the Corporation issued 524,240 common shares at a price of \$0.625 per share (\$327,650) upon conversion of warrants.

In March 2021, the Corporation issued 162,349 common shares at a price of \$0.53 per share (\$85,238) upon conversion of options.

For the nine-month period ended June 30, 2021, the Corporation issued 164,761 common shares at a price of \$0.91 per share (\$150,415) as compensation paid in shares to Management.

On April 6, 2021, the Company closed a non-brokered private placement of 3 million units at a price of \$1.00 per unit for net proceeds of \$3.0 million. Each unit consists of one common share of the Corporation and one warrant entitling the holder to purchase one additional common share of the Company at a price of \$1.20 per share until April

On June 30 2021, the Corporation issued 1,320,000 common shares at a price of \$0.875 per share (\$1,155,000) as consideration paid for the acquisitions of EGP, Graphique ID and La Clique Mobile.

2021-2022

On October 7, 2021, the Company closed a non-brokered private placement of 134,894 units at a price of \$0.94 per unit (\$126,800) with \$113,311 which was allocated to share capital and the residual value of \$13,489 was allocated to the provision for share options and warrants. Each unit consists of one common share of the Corporation and one warrant entitling the holder to purchase one additional common share of the Company at a price of \$1.13 per share until September 29, 2023.

On November 24, 2021, the Corporation issued 103,093 common shares at a price of \$0.97 per share (\$100,000) as consideration paid for the acquisition of Immophoto Inc.

On November 24, 2021, the Corporation issued 15,464 common shares at a price of \$0.97 per share (\$15,000) as consideration paid for the acquisition of Tours Virtuales.

On December 5, 2021, the Corporation issued 585,829 common shares at a price of \$0.875 per share (\$513,000) as consideration paid for the acquisition of Virtual Access

On December 10, 2021, the Corporation issued 349,828 common shares at a price of \$0.85 per share (\$297,000) as consideration paid for the acquisition of Stilio LLC.

On December 15, 2021, the Corporation issued 1,518,987 common shares at a price of \$0.79 per share (\$1,200,000) as consideration paid for the acquisition of Agento

On January 3, 2022, the Corporation issued 3,157,115 common shares at a price of \$0.85 per share (\$2,683,547) as consideration paid for the acquisition of Imoto LLC.

For the nine-month period ended June 30, 2022, the Corporation issued 202,560 common shares at a price of \$0.625 per share (\$126,600) upon conversion of warrants.

In March 2022, the Corporation issued 100,000 common shares at a price of \$0.326 per share (\$32,650) upon conversion of options.

For the nine-month period ended June 30, 2022, the Corporation issued 359,287 common shares at a price of \$0.55 per share (\$196,540) as compensation paid in shares to Management.

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NOTE 10. SHARE OPTIONS AND WARRANTS

Share option plan

The Corporation adopted a share option plan (the "option plan") whereby a maximum of 10% of common shares issued and outstanding is reserved for the issuance of non-transferable options to directors, officers, employees and consultants. The option plan provides that the terms and conditions of the options and the exercise price of options will be determined by the directors subject to price restrictions and other requirements imposed by the TSX. The period for exercising the options granted under the option plan cannot exceed a period of 10 years and the exercise price must be fully paid before the issuance of shares. Options may expire before the expiry date in case of death or disability of the holder or in case of termination of employment or mandate of the holder. The options vest 1/3 per year as 12 months following the grant date, unless otherwise decided by the Board of Directors.

The following table shows the changes in share options:

	June 30, 2022		September 30, 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	1,085,802	0.54	1,049,850	0.60
Granted	1,127,500	0.74	485,000	0.79
Expired	(80,000)	1.00	(83,500)	0.81
Exercised	-	-	(162,215)	0.53
Forfeited	(313,167)	0.69	(203,333)	0.55
Outstanding, end of period	<u>1,820,135</u>	<u>0.66</u>	<u>1,085,802</u>	<u>0.59</u>
Exercisable, end of period	<u>685,004</u>	<u>0.66</u>	<u>486,379</u>	<u>0.54</u>

The following table presents the details of share options outstanding:

	June 30, 2022		September 30, 2021	
Exercise price	Number of options outstanding	Estimated contractual time remaining in years	Number of options outstanding	Estimated contractual time remaining in years
\$				
0.30	133,334	2.57	185,134	3.32
0.38	100,001	1.78	108,001	2.53
0.40	236,800	0.74	236,667	1.49
0.63	30,000	0.50	50,000	1.25
0.65	-	-	10,000	2.01
0.72	930,000	4.57	-	-
0.85	255,000	3.54	305,000	4.29
0.88	-	-	30,000	4.75
0.93	20,000	3.61	20,000	4.36
0.94	80,000	4.42	-	-
1.00	-	-	106,000	0.50
1.10	35,000	3.77	35,000	4.52
	<u>1,820,135</u>		<u>1,085,802</u>	

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NOTE 10. SHARE OPTIONS AND WARRANTS (Continued)

Warrants

The following table shows the changes in warrants:

	June 30, 2022		September 30, 2021	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	4,490,957	1.14	2,134,892	0.90
Issued	-	-	3,083,305	1.20
Exercised	(202,560)	0.625	(527,240)	0.629
Expired	-	-	(200,000)	0.63
	<u>4,288,397</u>	<u>1.16</u>	<u>4,490,957</u>	<u>1.14</u>
Outstanding and exercisable, end of period	<u>4,288,397</u>	<u>1.16</u>	<u>4,490,957</u>	<u>1.14</u>

The number of outstanding warrants is as follow:

Expiry date	Exercise price	Number of warrants outstanding
	\$	
July 30, 2022	0.625	367,281
July 30, 2022	1.25	513,500
September 4, 2022	1.25	390,000
April 6, 2023	1.20	3,017,616
	<u>1.16</u>	<u>4,288,397</u>

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NOTE 11. NET EARNINGS (LOSS) PER SHARE

	June 30, 2022 (3 months) \$	June 30, 2021 (3 months) \$	June 30, 2022 (9 months) \$	June 30, 2021 (9 months) \$
Numerator:				
Net income (loss)	(285,034)	(550,783)	(1,862,794)	(2,131,931)
Convertible debentures financing cost, net of income taxes	-	421,373	-	1,586,242
	<u>(285,034)</u>	<u>(129,410)</u>	<u>(1,862,794)</u>	<u>(545,689)</u>
Denominator				
Weighted average number of common shares outstanding	36,919,251	21,708,302	34,925,285	18,907,524
Effect of potential dilutive securities				
Share options	23,411	36,522	195,173	315,807
Warrants	-	181,917	-	40,596
Total potential dilutive securities	<u>23,411</u>	<u>218,439</u>	<u>195,173</u>	<u>356,403</u>
Adjusted denominator for diluted net income (loss) per share	36,942,662	21,926,741	35,120,458	19,263,927
Basic net income (loss) per common share	<u>(0.01)</u>	<u>(0.03)</u>	<u>(0.05)</u>	<u>(0.11)</u>
Diluted net income (loss) per common share	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.05)</u>	<u>(0.03)</u>

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(Unaudited - in Canadian dollars)

NOTE 12. DIRECT CHARGES AND OPERATING EXPENSES BY NATURE

	June 30, 2022 (3 months)	June 30, 2021 (3 months)	June 30, 2022 (9 months)	June 30, 2021 (9 months)
	\$	\$	\$	\$
Subcontracting	856,458	653	1,562,165	(2,065)
Wages and employee benefits	1,041,137	479,910	2,690,949	1,122,039
SR&ED credits	-	-	(40,000)	(53,781)
CEWS wage subsidy	-	(144,726)	(32,315)	(232,598)
Share-based payments	133,448	56,478	238,687	132,442
Share payments	26,750	153,506	196,540	229,405
Sales commissions	22,049	23,382	34,906	42,276
Consulting fees	75,918	54,292	257,463	8,408
Professional fees	38,183	41,455	155,881	156,615
Office expenses	32,713	10,124	94,252	99,654
Utilities	24,793	-	59,299	38,793
Rent	12,066	334	39,045	3,128
Equipment rental	(1,373)	1,596	2,481	-
Representation and travel	67,578	2,850	98,726	6,712
Regulatory fees	9,958	30,924	54,795	80,524
Delivery charges	6,586	17,967	10,882	52,878
Advertising and promotion	74,523	35,914	206,272	59,793
Insurance	4,127	6,984	29,921	21,222
Licence and product development	124,704	34,192	258,699	89,601
Credit card processing fees	64,022	21,053	138,816	68,354
Hosting fees	95,419	91,339	262,814	240,589
Exchange loss (gain)	(15,485)	52,449	(569)	79,728
Bad debt (recovery)	-	(225)	(4,469)	(1,567)
Subsidiary acquisitions and set up costs	-	-	53,153	16,785
Restructuring charges	-	-	60,000	-
Others	1,746	450	5,863	1,489
	<u>2,695,320</u>	<u>970,901</u>	<u>6,434,256</u>	<u>2,260,424</u>
Direct charges	1,417,659	140,522	2,780,639	308,573
Operating expenses	<u>1,277,661</u>	<u>830,379</u>	<u>3,653,617</u>	<u>1,951,851</u>
	<u>2,695,320</u>	<u>970,901</u>	<u>6,434,256</u>	<u>2,260,424</u>

NOTE 13. FINANCIAL EXPENSES

	June 30, 2022 (3 months)	June 30, 2021 (3 months)	June 30, 2022 (9 months)	June 30, 2021 (9 months)
	\$	\$	\$	\$
Amortization - Issuance costs of long-term debts	1,375	2,923	5,186	266,335
Interest on long-term debts	57,933	20,315	132,156	61,906
Theoretical interest on lease liabilities	3,508	276	4,997	830
Interest on convertible debentures	-	-	-	151,325
Theoretical interest on convertible debentures	-	-	-	1,285,285
Interest and bank charges	19,724	7,937	54,651	19,433
Other financial fees	9,880	5,870	41,380	25,594
	<u>92,420</u>	<u>37,321</u>	<u>238,370</u>	<u>1,810,708</u>

URBANIMMERSIVE INC.

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(Unaudited - in Canadian dollars)

NOTE 14. ADDITIONAL CASH FLOW INFORMATION

Changes in working capital items

	June 30, 2022 (3 months)	June 30, 2021 (3 months)	June 30, 2022 (9 months)	June 30, 2021 (9 months)
	\$	\$	\$	\$
Trade and other receivables	63,955	(15,891)	(54,424)	(84,989)
Inventories	15,053	(109,471)	81,143	(52,894)
Research and development credits receivable	-	53,781	(40,000)	23,206
Prepaid expenses	69,014	81,813	(29,363)	(56,242)
Trade and other payables	8,624	24,784	275,732	167,889
Deferred revenues	30	(616)	(3,884)	(1,361)
	<u>156,676</u>	<u>34,400</u>	<u>229,204</u>	<u>(4,391)</u>

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 15. RELATED PARTIES

Related parties are the members of the Board of Directors, the President and the Vice-Presidents.

The remuneration of key management personnel includes the following expenses:

	June 30, 2022 (3 months)	June 30, 2021 (3 months)	June 30, 2022 (9 months)	June 30, 2021 (9 months)
	\$	\$	\$	\$
Wages and employee benefits	93,639	116,439	283,244	292,310
Share-based payments	10,497	8,515	48,532	22,974
Share payments	22,400	153,506	188,048	238,853
	126,536	278,460	519,824	554,137

These transactions, entered into the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

NOTE 16. COMMITMENTS

As part of the EDC guarantee described in Note 8, the Corporation will have to pay a guarantee fee of \$43,000, including \$9,150 in 2022, \$31,510 in 2023 and \$2,340 in 2024.

The Corporation signed a lease for its Imoto office until February 2024 with remaining payments totaling \$US 39,900, including in \$6,300 in 2022, \$25,200 in 2023 and \$8,400 in 2024.

The Corporation signed a lease for its photography equipment until March 2027 with remaining payments totaling \$104,720, including \$5,712 in 2022, \$22,848 in 2023, 2024, 2025 and 2026 and \$7,616 in 2027.

The Corporation signed a lease for a vehicle until May 2024 with remaining payments totaling \$16,671, including \$2,174 in 2022, \$8,698 in 2023 and \$5,799 in 2024.

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2022 and 2021 and September 30, 2021.

(Unaudited - in Canadian dollars)

NOTE 17.

OPERATING SEGMENT

	Photography			
	Software	Equipment	Services	Total
	\$	\$	\$	\$
				June 30, 2022 (3 months)
Segmented revenues	600,837	17,058	2,232,303	2,850,198
COGS and direct charges	<u>(84,337)</u>	<u>(25,609)</u>	<u>(1,326,362)</u>	<u>(1,436,308)</u>
Segmented gross margin (before amortization)	516,500	(8,551)	905,941	1,413,890
Operating expenses	<u>(596,659)</u>	<u>-</u>	<u>(681,002)</u>	<u>(1,277,661)</u>
Segmented operational income (before amortization)	<u>(80,159)</u>	<u>(8,551)</u>	<u>224,939</u>	<u>136,229</u>
Amortization				<u>336,221</u>
Operational income				<u>(199,992)</u>

	Photography			
	Software (1)	Equipment	Services	Total
	\$	\$	\$	\$
				June 30, 2021 (3 months)
Segmented revenues	766,044	335,881	-	1,101,925
COGS and direct charges	<u>(114,578)</u>	<u>(254,540)</u>	<u>-</u>	<u>(369,118)</u>
Segmented gross margin (before amortization)	651,466	81,341	-	732,807
Operating expenses	<u>(720,622)</u>	<u>(109,757)</u>	<u>-</u>	<u>(830,379)</u>
Segmented operational income (before amortization)	<u>(69,156)</u>	<u>(28,416)</u>	<u>-</u>	<u>(97,572)</u>
Amortization				<u>139,613</u>
Operational income				<u>(237,185)</u>

(1) Includes \$101,101 of royalties revenues based on a distribution agreement in Canada for photography equipment

	Photography			
	Software	Equipment	Services	Total
	\$	\$	\$	\$
				June 30, 2022 (9 months)
Segmented revenues	1,744,575	93,485	4,189,198	6,027,258
COGS and direct charges	<u>(332,558)</u>	<u>(97,889)</u>	<u>(2,435,098)</u>	<u>(2,865,545)</u>
Segmented gross margin (before amortization)	1,412,017	(4,404)	1,754,100	3,161,713
Operating expenses	<u>(2,219,822)</u>	<u>(97,800)</u>	<u>(1,335,995)</u>	<u>(3,653,617)</u>
Segmented operational income (before amortization)	<u>(807,805)</u>	<u>(102,204)</u>	<u>418,105</u>	<u>(491,904)</u>
Amortization				<u>904,441</u>
Operational income				<u>(1,396,345)</u>

	Photography			
	Software (1)	Equipment	Services	Total
	\$	\$	\$	\$
				June 30, 2021 (9 months)
Segmented revenues	1,977,465	1,003,965	-	2,981,430
COGS and direct charges	<u>(229,839)</u>	<u>(787,175)</u>	<u>-</u>	<u>(1,017,014)</u>
Segmented gross margin (before amortization)	1,747,626	216,790	-	1,964,416
Operating expenses	<u>(1,693,091)</u>	<u>(258,760)</u>	<u>-</u>	<u>(1,951,851)</u>
Segmented operational income (before amortization)	<u>54,535</u>	<u>(41,970)</u>	<u>-</u>	<u>12,565</u>
Amortization				<u>472,005</u>
Operational income				<u>(459,440)</u>

(1) Includes \$228,975 of royalties revenues based on a distribution agreement in Canada for photography equipment

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NOTE 17.

OPERATING SEGMENT (Continued)

	June 30, 2022 (9 months)			June 30, 2021 (9 months)		
	Canada	United States	Total	Canada	United States	Total
	\$	\$	\$	\$	\$	\$
Revenues	2,343,232	3,684,026	6,027,258	1,076,626	1,904,804	2,981,430