XYBION DIGITAL INC.

Consolidated Financial Statements

Years ended March 31, 2023 and 2022

XYBION DIGITAL INC. AND SUBSIDIARIES

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Years ended March 31, 2023 and 2022

Audited Consolidated Financial Statements of Xybion Digital Inc.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Xybion Digital Inc. and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Xybion Digital Inc. and Subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of operations and comprehensive loss, changes in stockholders' equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The consolidated financial statements of the Company for the year ended March 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on July 25, 2022.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Impairment Assessment of Goodwill

As described in Note 11 to the consolidated financial statements, the carrying amount of goodwill was $2,300,996 as at March 31, 2023. The Company performs impairment testing for goodwill at least annually, or more frequently when there is an indication of impairment. An impairment loss is recognized if the carrying amount of a cash generating unit ("CGU") or grouped CGUs to which the goodwill relates exceeds its recoverable amount. In determining the estimated recoverable amount the Company uses a discounted cash flow model which includes significant assumptions such as future cash flows, terminal growth rates, and discount rates.

The principal considerations for our determination that the evaluation of the goodwill impairment analysis as a key audit matter are that there was a high degree of judgement and subjectivity by management in determining the recoverable amount of the licensed CGU to which goodwill has been allocated which is impacted by assumptions such as future cash flows, terminal growth rates and discount rates.

Our approach to addressing the key audit matter included the following, among others:

- Obtaining an understanding of the controls over management's process and evaluating the qualifications, competence and objectivity of management's expert engaged to assist with the impairment assessment and determination of the recoverable amount of the CGU related to goodwill.
- Assessing the reasonableness of management's forecasted cash flows, revenue growth rates, and earnings margins provided to management's expert considering (i) the current and past performance of the cash generating unit; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit, as applicable.
- Utilizing our internal professionals with specialized skill and knowledge in the field of valuation to assist in evaluating the appropriateness of management's discounted cash flow model, mathematical accuracy of the model and in testing the reasonableness of certain significant assumptions, including the discount rate used by management.
- Performing sensitivity analysis on significant assumptions to evaluate changes in the recoverable amount of the CGU that would result from changes in the assumptions.

Revenue Recognition

As described in Note 20 to the consolidated financial statements, during the year ended March 31, 2023, the Company recognized revenue from operations of $16,435,790.

The Company's revenues are generated pursuant to written contractual arrangements to provide software as a service and to provide related maintenance and support services or professional services. The Company's performance obligations are either satisfied at a point in time when the customer is granted the software license or satisfied over time for maintenance and subscription revenue over the contractual period. Contracts may include multiple performance obligations.

The principal considerations for our determination that performing procedures relating to the judgment of the performance obligation, and the completeness and accuracy of revenues is a key audit matter are (i) judgments of whether the software as a service, training, and various other professional services are distinct, which in turn led to (ii) significant auditor judgment, subjectivity and effort in performing procedures and evaluating management's assessment of the performance obligations and the allocation of the prices and (iii) significant effort involved in assessing the completeness of the transactions and the accuracy of revenues recognized.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included among others:

- Obtaining an understanding of the Company's revenue recognition process including the various product and service offerings;
- Reviewing management's assessment of the terms and conditions of contracts with customers which included an analysis of the distinct performance obligations and reviewing the conclusion as to whether revenue from such performance obligations should be recognized over time or at a point in time;
- Validating any material unusual journal entries to assess for management override or bias by corroborating to supporting documentation;
- Examining, on a test basis, the contractual terms identified in underlying agreements related to revenue recorded at a point in time and the satisfaction of performance obligations to agree the accuracy of the revenue recorded upon completion of the obligation;
- Examining, on a test basis, the contractual terms identified in underlying agreements related to revenue recorded over time and reviewing the accuracy of the revenue recorded.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Maloff.

Davidson & Company LLP

Vancouver, Canada — Chartered Professional Accountants

October 16, 2023

XYBION DIGITAL INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position
(Amounts in US$)

	As at March 31, 2023	As at March 31, 2022
ASSETS		
Current Assets		
Cash and cash equivalents (note 26)	$ 5,290,314	$ 8,145,632
Trade receivable (note 26)	5,415,724	4,333,378
Contract assets	738,571	593,494
Prepaid expenses and other current assets (note 9)	873,387	900,281
Total Current Assets	12,317,996	13,972,785
Property and equipment (note 10)	234,155	340,237
Other Assets		
Right-of-use assets (note 22)	855,853	623,796
Goodwill (note 11)	2,300,996	2,314,770
Deferred income taxes (note 15)	573,412	114,391
Security deposits	107,561	110,775
Deferred finance fees (note 12)	167,812	-
Total Other Assets	4,005,634	3,163,732
Total Assets	$ 16,557,785	$ 17,476,754
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (note 13)	$ 823,452	$ 690,190
Income taxes payable	90,326	378,708
Lease obligations - current portion (note 23)	344,463	226,805
Deferred revenue (note 14)	6,899,217	6,414,457
Total Current Liabilities	8,157,458	7,710,160
Lease obligations - net of current portion (note 23)	553,280	441,811
Total Liabilities	8,710,738	8,151,971
Commitments and Contingencies		
Stockholders' Equity		
Common stock (note 16)	5,556,359	5,548,929
Additional paid-in capital	381,499	347,088
Accumulated other comprehensive loss	(289,585)	(100,324)
Retained earnings	2,198,774	3,529,090
Total Stockholders' Equity	7,847,047	9,324,783
Total Liabilities and Stockholders' Equity	$ 16,557,785	$ 17,476,754

"Pradip K. Banerjee", CEO

"Peter Bailey", Director

See accompanying notes to consolidated financial statements.

XYBION DIGITAL INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Loss

(Amounts in US$)

	Years Ended March 31, 2023	Years Ended March 31, 2022
Revenues (note 20)	$ 16,435,790	$ 16,767,397
Cost of Sales and Services	6,054,431	5,617,460
Gross Margin	10,381,359	11,149,937
Operating Expenses		
Indirect labor and fringe benefits (note 17)	7,132,252	4,875,051
Research and development	1,241,612	1,289,870
Occupancy	97,320	47,935
IT	864,719	724,568
Sales and marketing	770,367	564,920
Professional fees	848,569	762,981
Uncollectible accounts	-	182,800
Depreciation and amortization (notes 10 & 22)	463,051	460,663
Other	635,276	445,007
Total Operating Expenses	12,053,166	9,353,795
Total Operating (Loss) Income	(1,671,807)	1,796,142
Other Expense		
Interest	10,007	17,833
Amortization of finance fees (note 12)	44,130	-
Reverse acquisition expenses (note 8)	-	2,309,638
Other	23,097	30,643
Total Other Expense	77,234	2,358,114
Loss before income tax (benefit) expense	(1,749,041)	(561,972)
Income Tax (Benefit) Expense (note 15)	(418,725)	418,630
Net Loss	(1,330,316)	(980,602)
Other Comprehensive Loss		
Foreign currency translation losses	(189,261)	(87,112)
Comprehensive Loss	$ (1,519,577)	$ (1,067,714)
Basic and diluted loss per share	$ (0.84)	$ (1.56)
Basic and diluted weighted average number of common shares outstanding (note 18)	1,586,025	628,873

See accompanying notes to consolidated financial statements.

XYBION DIGITAL INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

(Amounts in US$)

	Common Shares	SVS Shares	PVS Shares	NVS Shares	Total Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
Balance, March 31, 2022	-	1,513,306	60,532	4,479	1,578,317	$ 5,548,929	$ 347,088	$ (100,324)	$ 3,529,090	$ 9,324,783
Net Loss	-	-	-	-	-	-	-	-	(1,330,316)	(1,330,316)
Foreign currency translation adjustment	-	-	-	-	-	-	-	(189,261)	-	(189,261)
Exercise of employee stock options (note 17)	-	16,949	-	-	16,949	7,430	(230)	-	-	7,200
Stock based compensation expense (note 17)	-	-	-	-	-	-	34,641	-	-	34,641
Balance, March 31, 2023	-	1,530,255	60,532	4,479	1,595,266	$ 5,556,359	$ 381,499	$ (289,585)	$ 2,198,774	$ 7,847,047
Balance, March 31, 2021	50,847,458	-	-	-	50,847,458	$ 2,477,019	$ 292,466	$ (13,212)	$ 5,259,692	$ 8,015,965
Net Loss	-	-	-	-	-	-	-	-	(980,602)	(980,602)
Xybion Corporation, existing shareholder conversion	(50,847,458)	-	60,532	4,479	(50,782,447)	-	-	-	-	-
Private placement (notes 1&16)	-	696,404	-	-	696,404	1,757,018	23,325	-	-	1,780,343
Share issue costs (note 16)	-	-	-	-	-	(746,141)	(1,937)	-	-	(748,078)
Effect of reverse acquisition of Gravitas One Capital Corp. (note 7)	-	816,902	-	-	816,902	2,061,033	-	-	-	2,061,033
Foreign currency translation adjustment	-	-	-	-	-	-	-	(87,112)	-	(87,112)
Dividends declared and paid (note 17)	-	-	-	-	-	-	-	-	(750,000)	(750,000)
Stock based compensation expense (note 17)	-	-	-	-	-	-	33,234	-	-	33,234
Balance, March 31, 2022	-	1,513,306	60,532	4,479	1,578,317	$ 5,548,929	$ 347,088	$ (100,324)	$ 3,529,090	$ 9,324,783

In relation to the reverse acquisition transaction, as described in note 1, on November 15, 2021, the common shares of Xybion Corporation were consolidated on a 2.95:1 basis. In addition, the Company issued PVS and NVS common shares to the existing stockholders of Xybion Corporation in exchange for the common shares of Xybion Corporation. All transactions are reflected retrospectively in these consolidated financial statements.

See accompanying notes to consolidated financial statements.

	Years Ended March 31, 2023	Years Ended March 31, 2022
Cash Flows from Operating Activities		
Net loss	$ (1,330,316)	$ (980,602)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	122,822	133,087
Amortization of right-of-use assets	340,229	327,576
Amortization of deferred finance fees	44,130	-
Stock based compensation expense	34,641	33,234
Consideration transferred for GONE in excess of net assets acquired	-	1,299,220
Deferred income taxes	(459,021)	270,699
(Increase) decrease in operating assets:		
Trade receivable	(1,082,346)	454,000
Contract assets	(145,077)	(387,416)
Prepaid expenses and other current assets	26,894	(380,595)
Security deposits	3,214	2,667
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	133,262	(116,661)
Income taxes	(288,382)	(36,171)
Deferred revenue	484,759	528,818
Net Cash (Used in) Provided by Operating Activities	(2,115,191)	1,147,856
Cash Flows from Investing Activity		
Cash acquired in reverse acquisition	-	781,480
Acquisition of property and equipment	(23,216)	(71,773)
Net Cash (Used in) Provided by Investing Activities	(23,216)	709,707
Cash Flows from Financing Activity		
Issuance of common shares through private placement	-	1,780,343
Share issuance costs	-	(748,078)
Dividends paid in cash	-	(750,000)
Cash paid for finance fees	(211,942)	-
Issuance of common shares through option plan	7,200	-
Repayment of lease obligations	(342,208)	(351,236)
Net Cash Used in Financing Activities	(546,950)	(68,971)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(169,961)	(103,077)
Net (Decrease) Increase in Cash and Cash Equivalents	(2,855,318)	1,685,515
Cash and Cash Equivalents - Beginning of Year	8,145,632	6,460,117
Cash and Cash Equivalents - End of Year	$ 5,290,314	$ 8,145,632
Schedule of noncash activities:		
Fair value of net assets of GONE acquired in excess of fair value of consideration given	$ -	$ 761,813
Signing of new facility lease	$ 444,424	$ -
Signing of new equipment lease	$ 22,682	$ -
Equipment lease modification	$ 117,524	$ -
Supplemental disclosures of cash flow information		
Interest paid on finance leases	$ 44,980	$ 33,632
Cash paid for income taxes	$ 357,104	$ 236,045

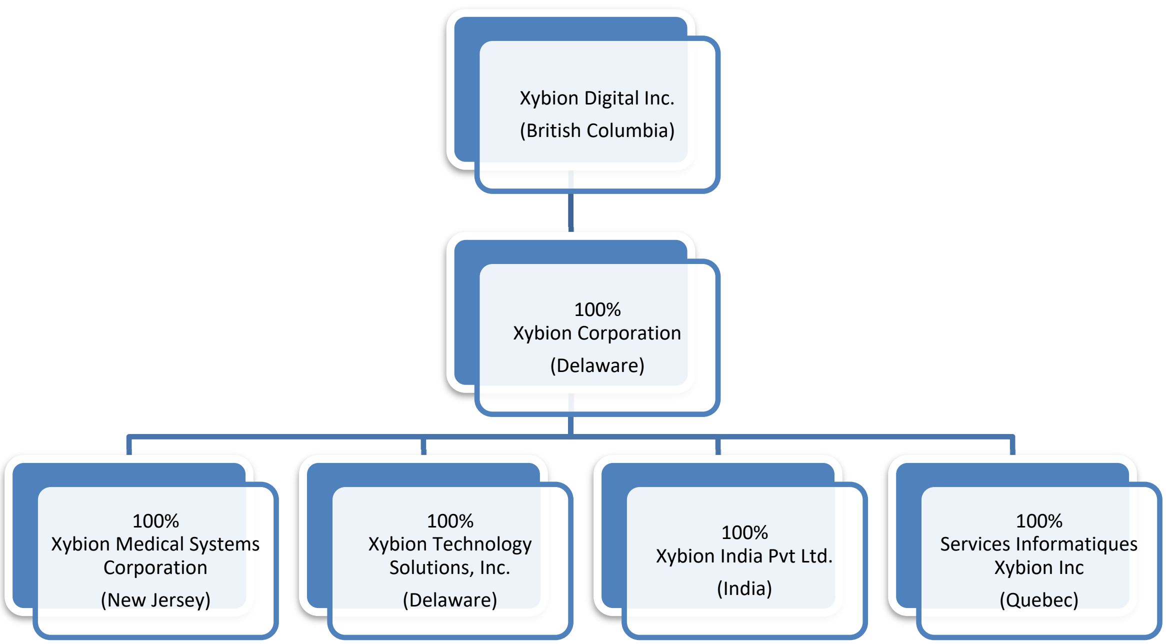
See accompanying notes to consolidated financial statements.

1 - Organization and Nature of the Business

Xybion Digital Inc. ("Xybion" or "Company") was incorporated pursuant to the Business Corporation Act (British Columbia) (the "BCBCA") on June 25, 2020 under the name "Gravitas One Capital Corp." (GONE). On November 15, 2021, the Company completed its "Qualifying Transaction" ("QT"), as defined by Policy 2.4 of the TSX Venture Exchange "TSXV" Corporate Finance Manual, with Xybion Corporation and the shareholders of Xybion Corporation. As a result of the QT, the Company now owns 100% of the outstanding common shares of Xybion Corporation.

The Company's head office is located at 105 College Street E., Princeton, New Jersey, United States 08540 and its registered office is located at 10th Floor, 595 Howe Street, Vancouver, BC V6C 2T5.

The following chart reflects the corporate structure of Xybion:



Xybion Corporation (XC), a wholly-owned subsidiary of the Company, has four wholly-owned subsidiaries: (i) Xybion Medical Systems Corporation (XMS), a corporation existing under the laws of New Jersey, (ii) Xybion Technology Solutions, Inc (XTS), a corporation existing under the laws of Delaware, (iii) Xybion India Private Ltd. (XIPL), a corporation existing under the laws of India, and (iv) Services Informatiques Xybion, Inc. (SIX), a corporation existing under the laws of Quebec.

1 - Organization and Nature of the Business - Cont'd.

Private placement, Merger and Reverse acquisition

On August 6, 2021, Xybion entered into a merger agreement with Gravitas US Corp., pursuant to which the Company and Gravitas US Corp. (a subsidiary of GONE), agreed to merge (the "Merger"). Xybion Digital Inc. is the surviving entity of the merger and is the operating subsidiary of GONE upon the completion of the merger. GONE, as it will exist after completion of the Merger, changed its name to Xybion Digital Inc. This transaction was completed in accordance with the policies of the TSXV (the "QT").

Immediately prior to the completion of the QT, on November 15, 2021, GONE consolidated its common shares on the basis of one GONE common share for every 10.65 GONE common shares existing before such consolidation. Similarly, immediately prior to the Merger, XC consolidated its common shares on the basis of one post-consolidation XC common share for every 2.95 XC common shares existing before such consolidation.

On November 15, 2021, the Merger was completed and GONE changed its name to Xybion Digital Inc. On November 18, 2021, the subordinate voting shares of Xybion Digital Inc. began trading on the TSXV under the symbol XYBN and the common shares of the former GONE were delisted from the TSXV.

In connection with the Merger, the following transactions occurred:

- XC incorporated a subsidiary Xybion BC Finco Ltd. On November 15, 2021 Xybion BC Finco Ltd. issued 696,404 subscription receipts for gross proceeds of $1,780,343 (the "Private Placement") consisting of one common share and ½ warrant. Xybion BC Finco Ltd. also paid a cash commission and issued stock options to purchase common shares to the agents of the transaction. Ultimately, through an amalgamation, each common share and warrant entitled the holder thereof to one Class A subordinate voting share of Xybion Digital Inc. upon completion of the Merger.

- The stock option plans of XC and GONE were dissolved and replaced by a plan established by Xybion Digital Inc. Upon dissolution of the GONE stock option plan, all outstanding GONE options were cancelled, and, upon dissolution of the XC stock option plan, all outstanding Xybion Corporation stock options were cancelled and exchanged for stock options of Xybion Digital Inc. with same terms; and the holders of XC's existing common shares received 60,532 Class B proportionate shares of Xybion Digital Inc. on the basis of one Class B proportionate share for every 100 XC Common shares, as well as 4,479 Class C proportionate non-voting shares of Xybion Digital Inc. on the basis of one Class C proportionate non-voting share for every 10,000 XC shares.

1 - Organization and Nature of the Business - Cont'd.

Private placement, Merger and Reverse acquisition - Cont'd.

- The investors in the private placement following the exchange of the subscription receipts for common shares and warrants of Xybion BC Finco Ltd. received one Class A subordinate voting share of Xybion Digital Inc. in exchange for each outstanding common share of Xybion BC Finco Ltd. and each warrant in respect of a common share of Xybion BC Finco Ltd. was exchanged for a warrant in respect of a Class A Subordinate Voting Share of Xybion Digital Inc. Following the share exchange, there were 1,513,306 Class A subordinate voting shares, 385,761 warrants in respect of a Class A subordinate voting share, 60,532 Class B proportionate shares and 4,479 Class C proportionate non-voting shares issued and outstanding in Xybion Digital Inc.

A reverse acquisition occurs when the entity that issues securities (the legal acquirer, GONE) is identified as the acquiree for accounting purposes. The entity whose interests are acquired (the legal acquiree or Xybion Corporation) is the acquirer for accounting purposes in a reverse acquisition. It has been determined that GONE is the accounting acquiree and that Xybion Corporation is the accounting acquirer based upon the guidance in IFRS 10, *Consolidated Financial Statements*, and IFRS 3, *Business Combinations*.

The acquisition date fair value of the consideration transferred by the accounting acquirer, Xybion Corporation, for its interest in the accounting acquiree, GONE, is based on the equity interests that XC would have had to issue to provide the owners of GONE before the transaction, with the same percentage equity interest in the combined entity that results from the reverse acquisition.
Since XC is considered the accounting acquirer, these consolidated financial statements are prepared as a continuation of the financial statements of Xybion Corporation. As a result, comparative information included herein is solely that of Xybion Corporation. For simplicity, transactions undertaken by Xybion Corporation are referred to as being undertaken by the Company in these consolidated financial statements.

2 - Basis of Presentation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Accounting Standards ("IFRS") and interpretations issued by the International Financial Interpretations Committee ("IFRIC") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on October 16, 2023.

3 - Functional and Presentation Currency and Basis of Measurement

These consolidated financial statements are presented in US dollars, which is the functional currency for XC, XMS and XTS. The functional currencies of the parent Xybion Digital Inc and subsidiaries, SIX and XIPL, are its respective local currencies. The financial statements are maintained in local currencies and are translated to United States dollars using period-end rates of exchange for assets and liabilities and average rates during the period for revenues, cost of revenues and expenses. Translation gains and losses are included in accumulated other comprehensive income as a separate component of stockholder's equity.

The consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information, and on the historical cost basis, except for the following:

- equity classified share-based payment arrangements which are measured at fair value at grant date pursuant to IFRS 2, *Share-based Payment*; and
- lease liabilities, which are measured at the present value of minimum lease payments at lease inception.

4 - Use of Judgements and Estimates

The preparation of the Company's consolidated statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. These assumptions and estimates are reviewed on an ongoing basis. Revision to accounting estimates are recognized prospectively.

Critical estimates:

The following are critical estimates that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

<u>Revenue recognition</u>

The Company uses the percentage-of-completion method of accounting for its fixed-price revenue contracts. Use of this percentage-of-completion method requires the Company to estimate the work performed to date as a proportion of the total work to be performed. This estimate impacts both the amount of revenue recognized by the Company as well as the amount of deferred revenue and expenses. The allocation of amounts in multiple-element arrangements is also an estimate.

<u>Deferred income taxes</u>

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Company has determined that it is probable that deferred tax assets will be realized in the future (further details are given in note 15).

4 – Use of Judgements and Estimates - Cont'd.

Impairment of long-lived assets

Long-lived assets, including property and equipment, right-of-use assets and goodwill are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset, except for goodwill, is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Impairment of trade receivables

Management determines the estimated recoverability of trade receivable balances based on the evaluation of the customer which may include the age of trade receivables, the current creditworthiness and the past collection history of the customers. These estimates are reviewed at the end of each reporting period. The Company maintains an allowance for doubtful accounts to provide for impairment of trade receivables.

Leases

IFRS 16 values long-term leases for the purposes of reporting the asset and liability component of the lease. The valuation process requires key estimates which include the discount rate and interest rate implied in the lease agreement.

5 – Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently by all entities consolidated to all periods presented in these consolidated financial statements.

a. Basis of Consolidation

The consolidated financial statements of the Company include the parent, Xybion Digital Inc, XC and its wholly-owned subsidiaries, XMS, SIX, XTS, and XIPL. A subsidiary is an entity controlled by the Company. Control is achieved where the company has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of these returns. The Company reassesses whether it controls an entity if facts and circumstances indicate that one or more of the aforementioned points have changed. A subsidiary is consolidated from the date the Company obtains control and continues to be consolidated until the date that such control ceases.

All significant intercompany balances and transactions have been eliminated in preparing the consolidated financial statements.

5 – Summary of Significant Accounting Policies - Cont'd.

b. Revenues

Revenue Recognition

In general, the Company applies the following steps when recognizing revenue from contracts with customers: (i) identify the contract, (ii) identify the performance obligations, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligation, and (v) recognize revenue when a performance obligation is satisfied.

The Company identifies performance obligations in its contracts with customers. The Company determines the transaction price based on the amount of consideration the Company expects to receive in exchange for transferring the promised goods or services to the customer. The Company allocates the transaction price in the contract to each distinct performance obligation in an amount that depicts the relative amount of consideration the Company expects to receive in exchange for satisfying each performance obligation. Revenue is recognized when performance obligations are satisfied. Judgement may be required when allocating the transaction price.

The Company's contract terms are typically between 30 and 90 days. The Company assesses collectability based on a number of factors including collection history and creditworthiness of the customer, and the Company may mitigate exposures to credit risk by requiring payments in advance. If the Company determines that collectability related to a contract is not probable, the Company may not record revenue until collectability becomes probable at a later date.

Revenues are recorded based on the transaction price excluding amounts collected on behalf of third parties. For example, sales taxes which the Company collects and remit to governmental authorities are excluded from revenues.

The Company does not offer refunds and therefore has not recorded any sales return allowance for the years ended March 31, 2023 and 2022.

Nature of Products and Services

Revenues are derived from commercial sales of computer software, software maintenance contracts, subscription fees and related services, third party software implementation and validation and staff augmentation. Substantially all revenue is earned in the United States of America.

Revenue recognized at a point in time:

Revenues from sales of existing computer software products and related services are recognized when the products and services are accepted.

Revenue recognized over time:

5 – Summary of Significant Accounting Policies - Cont'd.

b. Revenues - Cont'd.

Revenues for time and materials contracts for services and staff augmentation are recognized when the services are provided and the expenses incurred. The percentage of completion method is used to calculate revenues for long-term contracts for software customization and implementation. Annual subscription fees for software as a service and maintenance contracts for software licenses are billed in advance primarily in December covering the subsequent calendar year. Revenues from annual subscription fees and maintenance contracts are recognized ratably over the subscription service period or maintenance period.

Deferred revenue represents billings to customers for whom the services have not yet provided.

Generally, the Company's performance obligations have an expected duration of under one year and as such the Company has elected to apply the practical expedient available under IFRS 15 to not disclosure information relating to remaining performance obligation unsatisfied at period end. Similarly, for revenues recognized on services which are billed when services are accepted, the entity has applied the practical expedient to not disclosure information relating to remaining performance obligation unsatisfied at period end.

Contract Assets and Liabilities

Contracts with customers may contain multiple performance obligations. Unless otherwise noted during the contract assessment, these revenue elements are considered to be separate performance obligations as these services are distinct from one another. In allocating the consideration to the separate performance obligations, the standalone selling price is used.

Contract balances consists of trade receivables, contract assets, and deferred revenue. Contract assets are recorded when the right to consideration for service is conditional on something other than the passage of time. Contract assets relating to unbilled receivables are transferred to trade receivables when the right to consideration becomes unconditional. The Company classifies contract assets as current or non-current based on the timing or our rights to unconditional payments. The Company's contract assets are generally classified as current and recorded within contract assets on the consolidated balance sheets. As of March 31, 2023 and 2022, the balance of contract assets was $738,571 and $593,494, respectively.

The Company continually evaluates whether revenue generating activities result in the recognition of contract assets or liabilities. Deferred revenue primarily consists of payments received in advance of revenue recognition. Annual software maintenance contracts are billed in advance, recognized as deferred revenue, and then amortized into revenue over time. As of March 31, 2023 and 2022 the balance of deferred revenue was $6,899,217 and $6,414,457, respectively.

5 – Summary of Significant Accounting Policies - Cont'd.

c. Financial Instruments

The Company accounts for its financial instruments under the guidance of IFRS 9, *Financial Instruments*.

Recognition, classification and initial measurement

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income ("FVOCI") - debt investment, FVOCI – equity investment, or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL: (1) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (2) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL. Cash, trade receivables and contract assets are measured at amortized cost with subsequent impairments recognized in profit or loss. There are no financial assets designated as measured at FVTPL or FVOCI.

Financial assets at amortized costs are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in net income (loss). Any gain or loss on derecognition is recognized in net income (loss).

5 Summary of Significant Accounting Policies - Cont'd.

c. Financial Instruments - Cont'd

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expenses, are recognized in net income (loss). Accounts payable and accrued liabilities and deferred revenue are measured at amortized cost. Any gain or loss on derecognition is also recognized in net income (loss). The Company has not designated any financial liabilities at fair value through profit or loss and does not have any financial liabilities at FVOCI.

Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in net income (loss).

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Impairment

With respect to impairment of financial assets, IFRS 9 Financial Instruments requires applying the expected credit losses model. Under the expected credit losses model, the Company must recognize expected credit losses and changes in such losses at each reporting date to reflect changes in credit risk since the initial recognition of the financial assets.

5– Summary of Significant Accounting Policies - Cont'd.

d. Fair Value Measurement

In establishing the fair value, the Company uses a fair value hierarchy based on levels as defined below:

Level 1: defined as observable inputs such as quoted prices in active markets.

Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: defined as inputs that are based on little or no observable market data and, therefore, requiring entities to develop their own assumptions.

e. Cash and Cash Equivalents

The Company considers all highly liquid investments, which include money market accounts with original maturity of three months or less, to be cash equivalents. These consolidated financial assets are convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

f. Foreign Currency Translation

Transaction in foreign currencies are translated to the respective functional currencies of the group of entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Nonmonetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognized in the consolidated statement of income (loss).

The financial statements of foreign operations that have a functional currency different from that of the Company's presentation currency are translated into US dollars. Assets and liabilities are translated at the rates in effect at the end of the reporting period; revenue and expense items are translated at the average exchange rate for the period. Gains or losses arising from translation are recorded in equity under the heading accumulated other comprehensive income (loss) - foreign currency translation.

g. Impairment of Long-Lived Assets

The Company reviews the carrying value of its non-financial assets, which include property and equipment, goodwill and right-of-use assets on each reporting date, in order to determine if

specific events or changes in circumstances indicate that the carrying values may no longer be recoverable.

5 - Summary of Significant Accounting Policies - Cont'd.

g. Impairment of Long-Lived Assets – Cont'd

For impairment testing purposes, assets that cannot be tested individually are aggregated into a cash generating unit ("CGU"). An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of income (loss). Based on management's evaluation, no impairment charge to the value of its long-lived assets is deemed necessary at both March 31, 2023 and 2022.

h. Goodwill

The portion of the acquisition price that was in excess of the fair value of the target company assets was recorded as goodwill. Goodwill is not amortized for accounting purposes, but is tested annually for impairment.

The Company performs impairment testing for goodwill annually, or more frequently when indicators of impairment exist. The recoverability of carrying values is assessed by estimating future net cash flows from the assets. Based on management's evaluations, no impairment charge to the value of goodwill is deemed necessary at both March 31, 2023 and 2022. Impairment assessment inherently involves judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact management's assumptions as to revenues, costs, or other factors that may result in changes in the Company's estimates of future cash flows. Although management believes the assumptions used in testing for impairment are reasonable, changes in any one of the assumptions could produce a significantly different result.

i. Property and Equipment

Items of property and equipment are recognized at cost less accumulated depreciation and any accumulated impairment losses. Costs included expenditures that are directly attributable to acquiring and bringing the assets to a working condition for their intended use.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized in net income (loss).

Depreciation is calculated over the cost of the asset less its residual value and is recognized in net income (loss) on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

5- Summary of Significant Accounting Policies - Cont'd.

i. Property and Equipment – Cont'd

Assets	Method	Rate/period
Furniture	Straight-line	7-10 years
Machinery and equipment	Straight-line	3-5 years
Leasehold improvements	Straight-line	Term of lease

j. Income Taxes

Income tax expense comprises current and deferred income taxes. It is recognized in net income (loss) except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current income tax

Current income tax comprises the expected tax payable or receivable on the taxable income or loss for the years and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred income tax

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred income tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred income tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax assets and liabilities are offset only if certain criteria are met.

5- Summary of Significant Accounting Policies - Cont'd.

j. Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

k. Research and Development

Research and development costs are charged to operations as incurred and include costs associated with the design of new and improved products. Development costs are expensed in the year incurred unless management believes a development project meets the criteria for deferral and amortization. In the opinion of management, no development costs incurred to date meet all the criteria for deferral and amortization, thus all development costs have been expensed.

l. Tax credits

The Company is eligible to obtain tax credits for its expenditures on eligible research and development work. The Company can claim tax credits for expenditures such as wages, materials, machinery, equipment, qualifying overhead, and specific contracts. The tax credits are recorded when there is reasonable assurance that the credits will be realized. The tax credits are recognized in the consolidated statements of operations and comprehensive (loss) income and those that compensate for the cost of an asset are offset against the cost of the asset.

The tax credits must be reviewed and approved by the tax authorities and it is possible that the amounts granted will differ from the amounts recorded. Any difference between the tax credits accounted for and the tax credits granted by the tax authorities is accounted for in the year of assessment by the authorities as an adjustment of items to which they relate.

m. Stock-based Compensation

The Company has an equity incentive plan for executives and key employees, which is described in note 17. The Company uses the fair value based method of accounting for employee awards granted under the plan. The Company calculates the fair value of each stock option grant using the Black Scholes Option Pricing model at the grant date. The stock-based compensation cost of the options is recognized as stock-based compensation expense on a graded-vesting basis over the relevant vesting period of the stock options, calculated using the Company's estimate of the fair value of the stock options that will ultimately vest. The offsetting credit is recorded in additional paid-in capital. Modifications to stock options are treated as exchanges of the original award for a new award, the difference in value being recognized as an expense on a straight-line basis over the remaining vesting period of the modified stock options.

5 - Summary of Significant Accounting Policies - Cont'd.

n. Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use asset

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from 1 to 6 years for building and equipment leases. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments (including in-substance fixed payments), the exercise price under a purchase option that the Company is reasonably certain to exercise, and lease payments in an optional renewal period if the Company is reasonably certain to exercise a renewal option.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in consolidated statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to exclude from lease liabilities low value leases as well as short term leases, with a term of less than twelve months.

5 - Summary of Significant Accounting Policies - Cont'd.

o. Earnings per Share

Basic earnings per share are computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of common shares outstanding during the year adjusted to include the dilutive impact of stock options. See note 18.

p. Operating Segments

The Company determined that it operated a single operating segment for the years ended March 31, 2023 and 2022.

q. Employee Benefits

The Company has a defined contribution plan that it can elect to contribute to annually. Costs of contributions into the defined contribution plan are recorded in the statement of operations and comprehensive loss under Indirect Labor and Fringe Benefits.

6 - Standards Issued but not yet Effective

A number of new standards, interpretations and amendments to existing standards were issued by the IASB that are not yet effective for the year ended March 31, 2023 and have not been applied in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements:

- Amendments to classifications of liabilities as current and non-current under IAS 1 - *Presentation of Financial Statements;*
- Amendments to the definition of accounting estimates under IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors.*
- Amendments to the accounting and assessment of Onerous Contracts under IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*

7 - Reverse acquisition of GONE by XC

Through the Merger, as described in note 1, Gravitas One Capital Corp acquired legal control of XC by way of a Merger between XC and Gravitas US Corp., a wholly-owned subsidiary of GONE However, as the shareholders of XC gained voting control of GONE pursuant to the issuance of GONE shares to the shareholders of XC, representing a significant majority interest, XC is determined to be the accounting acquirer and, consequently the transaction has been accounted for as a reverse acquisition of GONE by XC. As GONE did not meet the definition of a business, the transaction was accounted for as a reverse acquisition of net assets, pursuant to IFRS 2, *Share-based payment.*

The acquisition-date fair value of the consideration transferred by the accounting acquirer, XC, for its interest in the accounting acquiree, GONE, of $2,061,033 or 816,902 common shares was determined based on the fair value of the equity interest XC would have had to give to the owners of GONE, before the reverse acquisition, to provide the same equity interest in the combined entity that results from the reverse acquisition, and was recorded as an increase in common shares in the consolidated statement of financial position.

As the fair value of GONE's. identifiable net assets at the reverse acquisition date was $761,813, the excess of consideration transferred over the net assets acquired of $1,299,220 was reflected as part of reverse acquisition expenses of GONE (note 8) in the consolidated statements of operations and comprehensive loss.

8 - Reverse acquisition of GONE expenses

The following table provides a breakdown of expenses incurred in connection with the reverse acquisition of GONE for the year ended March 31, 2022:

Consideration transferred in excess of net assets acquired (note 7)	$ 1,299,220
Professional fees	1,010,418
	$ 2,309,638

9 – Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following at:

	March 31, 2023	March 31, 2022
Prepaid expenses and deferred charges	$ 220,560	$ 218,077
Prepaid insurance	215,373	242,533
Prepaid taxes	68,666	233,389
Income tax refunds receivable	118,871	-
Foreign withholding tax refunds receivable	249,918	206,282
Prepaid expenses and other current assets	$ 873,388	$ 900,281

10 –Property and Equipment - Net

Property and equipment consist of the following at:

	March 31, 2023	March 31, 2022
Cost:		
Furniture and machinery and equipment		
Opening	$ 1,728,416	$ 1,656,643
Additions	23,216	71,773
Disposals	(155,488)	-
Total furniture and machinery and equipment	$ 1,596,144	$ 1,728,416
Leasehold Improvements		
Opening	$ 18,340	$ 18,340
Additions	-	-
Disposals	-	-
Total leasehold improvements	$ 18,340	$ 18,340
Translation Adjustments (furniture and machinery and equipment)		
SIX Translations	$ -	$ (23,969)
XIPL Translations	(40,165)	(19,300)
	$ (40,165)	$ (43,269)
Total Cost	**$ 1,574,319**	**$ 1,703,487**

10 – Property and Equipment - Net - Cont'd.

	March 31, 2023	March 31, 2022
Accumulated Depreciation:		
Furniture and machinery and equipment		
Opening	$ (1,390,314)	$ (1,259,414)
Depreciation/Amortization expense	(120,675)	(130,900)
Disposals	154,112	-
Total accumulated depreciation furniture and machinery and equipment	$ (1,356,877)	$ (1,390,314)
Translation Adjustments		
SIX Translations	$ -	$ 23,969
XIPL Translations	27,370	11,605
	$ 27,370	$ 35,574
Leasehold Improvements		
Opening	$ (8,510)	$ (6,367)
Depreciation/Amortization expense	(2,147)	(2,143)
Disposals	-	-
Total accumulated depreciation leasehold improvements	$ (10,657)	$ (8,510)
Total Accumulated Depreciation	**$ (1,340,164)**	**$ (1,363,250)**
Net Carrying Amounts	**$ 234,155**	**$ 340,237**

11 – Goodwill

Goodwill is allocated to the CGU's based on where the goodwill is utilized.

Cost of goodwill	**XTS, XMS and SIX**	**Total**
At April 1, 2021	$ 2,313,610	$ 2,313,610
Translation adjustments	1,130	1,130
At March 31, 2022	2,314,740	2,314,740
Translation adjustments	(13,774)	(13,774)
At March 31, 2023	$ 2,300,966	$ 2,300,966

Cost of goodwill	**XTS**	**XMS**	**SIX**	**Total**
At April 1, 2021	$ 1,017,919	$ 1,117,091	$ 178,630	$ 2,313,640
Translation adjustments	-	-	1,130	$ 1,130
At March 31, 2022	$ 1,017,919	$ 1,117,091	$ 179,760	$ 2,314,770

Annual test for impairment

Goodwill recorded is allocated to each CGU. During the fiscal year ended March 31, 2023, management determined that XTS, XMS and SIX were one cash generating unit and were thus assessed as a combined group ("XTS, XMS and SIX").

At each year end, management assesses the recoverable amount of goodwill based on an analysis of assets in use by each cash generating unit. At March 31, 2023 and 2022, management assessed the recoverable amount of goodwill and concluded that there was no impairment.

The recoverable amount of the cash-generating unit was assessed by reference to value in use.

12 - Lines of Credit - Banks

a. Columbia Bank

The Company, pursuant to a line of credit, expiring August 1, 2022, had the availability to borrow $2,000,000 on a short-term basis. On August 10, 2022, the Company closed the Line of Credit with Columbia Bank. The line of credit was collateralized by the assets of XC, XMS, and XTS and was guaranteed by the chief executive officer ("CEO") of the Company and an entity controlled by the CEO. At March 31, 2023 and 2022, there were no borrowings outstanding against the line. The interest rates (greater of prime rate plus 1% or 4.25%) at August 1, 2022 and March 31, 2022 were 5.50% and 4.25%, respectively. Interest expense for each of the years ended March 31, 2023 and 2022 was $0.

b. National Bank of Canada

On August 16, 2022, the Company entered into an agreement for a 3-year, US$12.2 million credit facility (the "Credit Facility") with National Bank of Canada.

The Credit Facility provides Xybion with a US$2.0 million revolving credit facility for general corporate purposes ("Facility 1"), a US$10.0 million delayed draw credit facility to finance qualifying future acquisitions ("Facility 2"), and a CDN$200,000 credit card facility for corporate expenses. The Credit Facility is secured by all assets of the Company and secured and guaranteed by all existing and future subsidiaries of the Company. The outstanding principal amount of Facility 1 and Facility 2 shall bear monthly interest at Prime Rate plus 1.00% for Canadian dollar loans and US Base Rate plus 1.00% for US dollar loans.

The Credit Facility contains customary representations, warranties and covenants, including a covenant to maintain a total debt to EBITDA ratio at or below 3.5x for the first year of the term, 3.25x for the second year of the term, and 3.0x for the third year of the term and afterwards. It also contains a covenant to maintain a fixed charge coverage ratio of 1.2x or higher at all times. The aggregate assets, revenues and EBITDA of the subsidiaries of the Company must at all times (on a non-consolidated basis) represent at least 95% of the aggregate assets, revenues and EBITDA of Xybion.

At March 31, 2023, there were no borrowings outstanding against Facility 1 or Facility 2. The interest rate (equal to US Base Rate plus 1%) at March 31, 2023 was 9.5%.

The Company incurred $211,942 in legal and loan commitment fees for the credit facility. Since the Company did not use the credit facility during the year ended March 31, 2023, and further, since the amount that will be used during the term of the credit agreement is unknown, the Company is amortizing the fees on a straight-line basis over the term of the credit agreement of 36 months.

13– Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at:

	March 31, 2023	March 31, 2022
Accounts payable	$ 414,970	$ 344,824
Accrued liabilites	91,706	10,213
Accrued salaries	274,435	251,424
Payroll taxes	42,341	83,729
	$ 823,452	$ 690,190

14 – Deferred Revenue

The following table presents changes in the deferred revenue balance:

Balance, March 31, 2021	$ 5,885,639
Amounts invoiced and revenue deferred as at March 31, 2022	9,817,214
Recognition of deferred revenue	(9,288,396)
Balance, March 31, 2022	$ 6,414,457
Amounts invoiced and revenue deferred as at March 31, 2023	10,869,845
Recognition of deferred revenue	(10,385,085)
Balance, March 31, 2023	$ 6,899,217

15 – Income Taxes

The ability to realize the tax benefits from losses and deductible temporary differences is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses and deductible temporary differences arose. Deferred tax assets are recognized in respect of temporary differences giving rise to deferred tax assets only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. This determination is based on the management's quantitative and qualitative assessments and the weighing of all available evidence, both positive and negative. Such evidence included, notably, historical performance over the past two years and the Company's projected future taxable income.

Accordingly, no deferred tax asset has been recognized on the following temporary differences:

	March 31, 2023	March 31, 2022
Non-capital losses	$ 1,582,044	$ 1,009,253
Right-of-use assets	-	45,185
Deferred financing fees	107,467	-
	$ 1,689,511	$ 1,054,438

15 – Income Taxes – Cont'd

The movements in deferred income tax assets and liabilities are shown below:

	As at March 31, 2022	Recognized in net income	Recognized in other comprehensive income	As at March 31, 2023
Property and equipment	$ (60,547)	$ 21,537	$ -	$ (39,010)
Intangible assets	(31,995)	(58,088)	-	(90,083)
Deferred R&D	-	311,027	-	311,027
Non-capital losses	206,933	193,938	-	400,871
Other	-	(9,393)	-	(9,393)
	$ 114,391	$ 459,021	$ -	$ 573,412

	As at March 31, 2021	Recognized in net income	Recognized in other comprehensive income	As at March 31, 2022
Property and equipment	$ (34,948)	$ (25,599)	$ -	$ (60,547)
Intangible assets	24,540	(56,535)	-	(31,995)
Investment tax credits	51,832	(51,832)	-	-
Non-capital losses	343,666	(136,733)	-	206,933
	$ 385,090	$ (270,699)	$ -	$ 114,391

Tax Rate Reconciliation

The reconciliation of income taxes calculated at the statutory income tax rate to the income tax expense is as follows:

	As at March 31, 2023	As at March 31, 2022
(Loss) before income taxes	$ (1,749,041)	$ (561,972)
Statutory tax rate	26.50%	20.50%
Expected tax expense	(463,496)	(115,204)
Permanent differences	11,671	622,006
Tax rate differences	(14,143)	615
Current tax relating to prior years	-	(274,552)
Deferred tax relating to prior years	(135,321)	161,936
Effect of temporary differences not recognized as deferred tax assets	167,306	23,829
Other	15,258	-
Income tax expense	**$ (418,725)**	**$ 418,630**
Income tax comprises:		
Current income tax	$ 40,296	$ 147,931
Deferred income tax	(459,021)	270,699
Total income tax expense	**$ (418,725)**	**$ 418,630**

15 – Income Taxes - Cont'd.

The components of the current and deferred income tax expense are as follows:

	As at March 31, 2023	As at March 31, 2022
Current tax expense:		
Current year	$ 40,230	$ 147,931
Deferred tax expense		
Origination and reversal of temporary differences	(515,359)	113,887
Tax adjustment related to previous years	(120,295)	162,578
Change in unrecognized deductible temporary differences	167,306	(5,766)
Other	9,393	-
	(458,955)	270,699
Income taxes	$ (418,725)	$ 418,630

Unused Tax Losses

At March 31, 2023 and 2022, the Company has non-capital losses carried forward in the amount of $4,248,672 and $2,087,395, respectively. These losses by jurisdiction expire in the following years:

	As at March 31, 2023	As at March 31, 2022
Canada		
2033	$ 140,268	$ 121,835
2035	95,922	103,887
2036	136,365	147,689
2037	291,023	315,189
2038	296,068	320,653
2040	3,089	
2041	96,013	
2042	38,126	
2043	485,169	
	$ 1,582,043	$ 1,009,253
New Jersey State		
2032	$ 14,829	$ 26,799
2033	41,184	41,184
2034	35,663	35,663
2035	27,416	27,416
2036	81,299	81,299
2037	89,903	89,903
2038	138,213	138,213
2039	637,664	637,665
2043	816,947	-
	$ 1,883,118	$ 1,078,142
United States Federal		
Indefinite	783,511	-
	$ 783,511	$ -

16 - Share Capital

The Company is authorized to issue an unlimited number of Class A Subordinate Voting shares, an unlimited number of Class B Proportionate Voting shares and an unlimited number of Class C Proportionate non-voting shares with the following attributes:

Class A Subordinate Voting shares ("SVS shares")

Entitled to 1 vote per share, entitled to dividends at the discretion of the board of directors. Convertible at the option of the holder, subject to approval of the board of directors, into Class B Proportionate Voting Shares at a ratio of 1 Class B Proportionate Voting Share per 100 Class A Subordinate Voting Share.

Class B Proportionate Voting shares ("PVS shares")

Entitled to 100 votes per share, entitled to dividends at the discretion of the board of directors. Convertible at the option of the holder and the Company into Class A Subordinate Voting Shares at a ratio of 100 Class A Subordinate Voting Shares per 1 Class B Proportionate Voting Shares. Also, convertible at the option of the Company into Class C Proportionate Non-Voting Shares at a ratio of 100 Class B Subordinate Voting Shares per 1 Class C Proportionate Non-Voting Share.

Class C Proportionate Non-Voting Shares ("NVS shares")

Non-voting, entitled to dividends at the discretion of the board of directors. Convertible at the option of the holder and the Company into Class B Proportionate Voting shares at a ratio of 100 Class B Proportionate Voting Shares per 1 Class C Proportionate Non-Voting Share. Also, convertible at the option of the holder and the Company into Class A Subordinate Voting Shares at a ratio of 10,000 Class A Subordinate Voting Shares per 1 Class C Proportionate Non-Voting Share.

In connection with the Merger, the following share transactions were undertaken by the Company:

- The holders of XC's existing common shares received 60,532 Class B proportionate shares of the Company on the basis of one Class B proportionate share for every 100 XC Common shares, as well as 4,479 Class C proportionate non-voting shares of the Company. on the basis of one Class C proportionate non-voting share for every 10,000 XC shares.

16 - Share Capital - Cont'd.

- The investors in the private placement following the exchange of the subscription receipts for common shares and warrants of Xybion BC Finco Ltd. received one Class A subordinate voting share of the Company in exchange for each outstanding common share of Xybion BC Finco Ltd. and each warrant in respect of a common share of Xybion BC Finco Ltd. was exchanged for a warrant in respect of a Class A Subordinate Voting Share of the Company. Following the share exchange, there were 1,513,306 Class A subordinate voting shares, 385,761 warrants in respect of a Class A subordinate voting share, 60,532 Class B proportionate shares and 4,479 Class C proportionate non-voting shares issued and outstanding in the Company.

In connection and prior to the Merger, the following transactions were undertaken by XC:

- As described in note 1, the share consolidation and reverse merger was completed on November 15, 2021 and are reflected retrospectively in these consolidated financial statements.

The fair value of the assumed consideration paid by the Company to GONE amounted to $2,061,033, representing the assumed issuance of 816,902 common shares to the existing shareholders of GONE at the date of the reverse acquisition after considering a consolidation of 1 share for each 10.65 shares of GONE and at a fair value per share post- consolidation of $2.52.

On November 15, 2021, in connection with the Merger, Xybion BC Finco Ltd. issued 696,404 subscription receipts consisting of one common share and ½ warrant for gross proceeds of $1,780,343. Each warrant is exercisable for a period of 24 months at CDN $3.85. The Company recorded $23,325 in contributed surplus representing the value of warrants issued with the residual $1,757,018 recorded in common shares.

The warrants were valued using the Black-Scholes model and the following assumptions:

Volatility	17.94%
Risk-free interest rate	0.53%
Expected life of the warrants	2 years
Common share value at grant date	$2.56
Exercise price	$3.07
Dividend yield	3.00%

Share issuance costs and transaction costs amounting to $756,046, including the fair value of compensation options to the agents for an amount of $7,968, have been recorded in common shares for an amount of $746,141 and in contributed surplus for an amount of $9,905.

16 - Share Capital - Cont'd.

The compensation options were valued using the Black-Scholes model and the following assumptions:

Volatility	17.94%
Risk-free interest rate	0.53%
Expected life of options	2 years
Common share value at grant date	$2.56
Exercise price	$2.56
Dividend yield	3.00%

The Company issued 348,202 warrants exercisable at the option of the holder for and equal number of Class A Subordinate Voting shares as part of its private placement, as well as 41,255 of warrants issued as compensation to the Company's agent. The Company also has 37,559 warrants outstanding exercisable at the option of the holder for an equal amount of Class A Subordinate Voting shares which were issued to previous warrant holders of GONE at the time of the reverse acquisition.

The following table is a summary of the Company's warrants outstanding at March 31, 2023:

# of Warrants	Exercise Price	Expiry Date
37,559	CDN $2.13	February 23, 2026
41,255	CDN $3.20	November 15, 2023
348,202	CDN $3.85	November 15, 2023

17 - Equity

a. Stock-based Compensation

On November 15,2021, the Company adopted a stock option plan, the Omnibus Incentive Plan, that replaced the legacy option plans of Xybion and GONE, which were cancelled. The Ominibus Plan permits the board of directors to make awards of options, restricted share units, performance share units and deferred share units and stock appreciation rights, to the eligible directors, officers, employees and consultants of the Company and its subsidiaries. The maximum number of Subordinate Voting Shares available for issuance with respect to incentive stock options is 10,000,000, however, the total number of Subordinate Voting Shares reserved and available for grant and issuance pursuant to this Plan, in combination with the total number of Proportionate Voting Shares (PVS) or Subordinate Voting Shares (SVS) which may be issuable under any and all of the Corporation's equity incentive plans in existence from time to time, shall not exceed ten percent (10%) of the total issued and outstanding SVS and the number of SVS the total PVS convert to. The Company may issue incentive and non-statutory stock options to employees, directors and consultants of the Company.

17 - Equity – Cont'd

a. **Stock-based Compensation -** Cont'd

The minimum exercise price of each option is equal to the Fair Market Value per share of the Company's stock on the date of the grant. The minimum exercise price of each option for stockholders owning more than 10% of the voting power of all classes of Company stock is equal to 110% of the Fair Market Value per share of the Company's stock on the date of the grant.

The maximum term for the options is for 10 years from the date of the grant.

The stock option plan provides for different vesting arrangements, however the default vesting in the plan provides for 25% vesting on each one-year anniversary of the grant date, however for existing legacy Xybion options that were issued and outstanding at any time during the period presented the plan provides for 50% vesting of the options at the second anniversary of its grant date and an additional 50% vesting on the fourth anniversary date thereafter. For select employees, the plan

provides for non-market performance conditions linked to the Company meeting specific revenue targets as well as time-based service requirements.

The Omnibus Incentive Plan also includes a Pooling Agreement that governs the exercise of unexercised options granted by Xybion prior to November 15, 2021. Under the Pooling Agreement, the number of vested, but unexercised, options that may be exercised is limited to 10% of the outstanding SVS and SVS-equivalent, PVS shares at any point in time. The release of options from the pool will be managed by the Company's board.

The Company utilizes the Black Scholes option pricing model for determining the estimated fair value for stock-option awards. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. The assumption of expected volatility is based on the average historical volatility of an index of comparable companies for the period immediately preceding the option grant. The expected term of the options is the length of time until the expected date of exercising the options and the risk-free interest rate was based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. The dividend yield rate is based on the expected dividend rate during the expected life of the option.

Issuance of stock options during the period from April 1, 2021 through March 31, 2023 were as follows:

On August 5, 2022, the Company granted incentive and non-incentive stock options to employees to purchase 101,863 shares of common stock. These options have an exercise price of CDN $2.65 per share, have a 10-year life and vest at a rate of 25% per year.

On April 1, 2021, the Company granted stock options to employees to purchase 487,336 shares of common stock. These options have an exercise price of $0.422 per share.

17 - **Equity** – Cont'd

a. **Stock-based Compensation -** Cont'd

The assumptions used in the Black Scholes option pricing model are as follows:

	March 31, 2023	March 31, 2022
Risk-free interest rate	2.83% - 2.91%	0.90% - 1.37%
Expected term of options, in years	7-10	5-7
Expected annual volatility	21.4% - 26.0%	13.2% - 13.3%
Dividend yield	0%	3%
Determined weighted average grant date fair value per option	$.7068 - $.7667	$0.009 - $0.011

The Company also has 81,690 stock options outstanding which were issued to previous stock option holders of GONE at the time of the reverse acquisition. The options have an exercise price of CDN $2.13 and are fully vested.

Exercise of stock options during the period from April 1, 2021 through March 31, 2023 were as follows:

a. On October 17, 2022, an employee exercised 16,949 share options. These options had an exercise price of $0.4248 per share.

17 - Equity – Cont'd

a. **Stock-based Compensation -** Cont'd

The following table summarizes information about stock options outstanding at March 31, 2023 (as adjusted to reflect the 2.95:1 share consolidation effective November 15, 2021):

	Number of Shares Underlying Stock Options	Weighted Average Exercise Price
Balance at March 31, 2021	6,335,419	$ 0.380
Options Granted April 1, 2021	487,336	$ 0.422
Options Exercised	-	$ -
Options Expired May 31, 2021	(1,186,441)	$ (0.295)
Gravitas One Capital Corp Options	81,690	$ 1.574
Options Forfeited	(751,460)	$ (0.395)
Options Expired March 31, 2022	(762,712)	$ (0.425)
Balance at March, 2022	4,203,832	$ 0.421
Options Granted	101,863	$ 1.958
Options Exercised October 17, 2022	(16,949)	$ (0.425)
Options Forfeited October 18, 2022	(16,949)	$ (0.425)
Options Expired	-	-
Balance at March 31, 2023	4,271,797	$ 0.458

The Company had the following stock options outstanding at March 31, 2023:

# of Options	Exercise Price	Expiry Date	Weighted Average Remaining Life at March 31, 2023	Exercisable
81,690	CDN $2.13	February 22, 2031	7.90	81,690
847,458	$0.30	Dec. 7, 2025 to May 31, 2026	2.79	847,458
2,943,705	$0.43	June 15, 2023 to Sept. 15, 2030	5.00	2,503,027
297,081	$0.42	April 1, 2031	8.01	-
101,863	CDN $2.65	August 5, 2032	9.36	-
4,271,797				3,432,175

17 - **Equity** - Cont'd.

a. **Stock-based Compensation** - Cont'd.

The Company had the following stock options outstanding at March 31, 2022:

# of Options	Exercise Price	Expiry Date	Weighted Average Remaining Life at March 31, 2022	Exercisable
81,690	CDN $2.13	February 22, 2031	8.90	81,690
847,458	$0.30	Dec. 7, 2025 to May 31, 2026	2.33	847,458
3,274,684	$0.42	Mar 31, 2022 to Apr 1, 2031	6.11	1,149,819
4,203,832				2,078,967

The Company recorded $34,641 and $33,234 of compensation expense related to vested and non-vested legacy and non-legacy Xybion Plan awards, which is included in indirect labor and fringe benefits for the years ended March 31, 2023 and 2022, respectively.

b. Dividends

On May 14, 2021, the Board of Directors approved a $0.005 per common share dividend payment. Dividends totaling $750,000 were paid on June 1, 2021.

18 - Earnings (Loss) per Share

Basic earnings (loss) per common share is computed by dividing the net income (loss) allocated to common stockholders by the weighted-average number of shares of common stock outstanding during the period. For purposes of calculating diluted earnings (loss) per common share, the denominator includes both the weighted-average of shares of common stock outstanding during the period and the number of common stock equivalents if the inclusion of such common stock equivalents is dilutive. Dilutive common stock equivalents potentially include stock options and warrants using the treasury stock method.

As described in note 1, the share consolidation and reverse merger were completed on November 15, 2021. The earnings (loss) per share are reflected retrospectively in all calculations.

18 - **Earnings (Loss) per Share** - Cont'd.

The basic and diluted weighted average number of shares has been calculated as follows:

	March 31, 2023	March 31, 2022
Weighted average number of common shares - basic	1,586,025	628,873
Additions to reflect the dilutive effect of employee PVS shares, NVS shares and employee stock options	-	-
Weighted average number of common shares - diluted	1,586,025	628,873

For the years ended March 31, 2023 and 2022, the Company incurred net losses which cannot be diluted; therefore, basic and diluted loss per common share is the same.

Shares issuable which could potentially dilute future earnings were as follows at March 31, 2023 and 2022:

	March 31, 2023	March 31, 2022
PVS shares	5,992,668	5,992,668
NVS shares	44,785,521	44,785,521
Stock options	4,271,797	4,203,832
Warrants	427,016	427,016
Shares excluded from the calculation of diluted (loss) per share	55,477,002	55,409,037

19 - Key Management Personnel

Key management personnel includes the President & Chief Operating Officer, Chief Executive Officer, and Executive Vice President and Chief Financial Officer.

The following table presents the compensation of the key management personnel recognized in net (loss) income:

	Years Ended	
	March 31, 2023	March 31, 2022
Wages	$ 848,240	$ 823,412
Bonus	311,437	204,100
Share based payments	6,637	29,679
	$ 1,166,314	$ 1,057,191

20 - Revenues

	March 31, 2023	March 31, 2022
Recognized at a point in time:		
Licenses	$ 385,884	$ 1,679,089
Third-party licenses	51,000	12,000
Recognized over time:		
Maintenance contracts	5,219,704	4,982,281
Subscriptions	5,165,381	4,306,115
Services	5,613,821	5,787,912
	$ 16,435,790	$ 16,767,397

21 - Geographic Segments

The majority of the Company's revenue is generated in the United States.

Non-current assets by geographic location as at March 31, 2023 and 2022 are as follows:

	March 31, 2023			
	United States	India	Canada	Totals
Property and Equipment	$ 187,546	$ 46,609	$ -	$ 234,155
Goodwill	2,135,010	-	165,986	2,300,996
Security deposits	25,645	81,713	203	107,561
Right-of-use assets	516,292	339,561	-	855,853

	March 31, 2022			
	United States	India	Canada	Totals
Property and Equipment	$ 267,608	$ 72,629	$ -	$ 340,237
Goodwill	2,135,010	-	179,760	2,314,770
Security deposits	31,922	78,633	220	110,775
Right-of-use assets	591,029	26,229	6,538	623,796

22 – Right of Use Assets

	Equipment Leases	Building Leases	Total
Balance as at March 31, 2021	$ 128,143	$ 825,572	$ 953,715
Additions	-	-	-
Amortization	73,225	254,351	327,576
FX (gain)/loss on ROU asset denominated in foreign currencies	-	(2,343)	(2,343)
Balance as at March 31, 2022	54,918	568,878	623,796
Additions	140,206	444,424	584,630
Amortization	80,915	259,314	340,229
FX (gain)/loss on ROU asset denominated in foreign currencies	-	(12,346)	(12,346)
Balance as at March 31, 2023	$ 114,209	$ 741,642	$ 855,851

23 – Lease Liabilities

The following table presents the lease obligations of the Company:

Balance as at March 31, 2021	$1,019,852
Payment of lease obligations	(383,355)
Interest expense on lease obligations	33,632
FX (gain)/loss on leases denominated in foreign currencies	(1,513)
Lease obligations as at March 31, 2022	668,616
Additions	571,335
Payment of lease obligations	(372,058)
Interest expense on lease obligations	44,980
FX (gain)/loss on leases denominated in foreign currencies	(15,130)
Lease obligations as at March 31, 2023	$897,743

23 – Lease Liabilities - Cont'd.

	March 31, 2023		March 31, 2022	
Contractual undiscounted cash flows:				
Less than 1 year	$	387,154	$	247,803
Between 1 and 5 years		578,411		466,627
Total undiscounted lease liabilities	$	965,565	$	714,430
Lease liabilities included in the statement of financial position	$	897,743	$	668,616
Current		344,463		226,805
Non-Current		553,280		441,811

Amounts recognized in consolidated statement of income	March 31, 2023		March 31, 2022	
Interest on lease liabilities	$	44,980	$	33,632
Variable lease payments not included in the measurement of lease liabilities		13,380		13,380
Expenses relating to short-term leases		-		-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets		-		8,912

24 – Contingencies

From time to time, the Company and its subsidiaries may be subject to claims and may become a party to legal proceedings that arise in the normal course of business. The Company does not believe that as of March 31, 2023 that it has any matters that will have a material adverse effect on its financial condition, results of operations or cash flows.

25 – Employee Benefits

The Company has a contributory profit sharing and salary reduction plan, for its U.S. employees, in accordance with Section 401(k) of the Internal Revenue Code. Substantially all the current employees have attained the requirements necessary for participation in the plan. Company contributions are discretionary. During the year ended March 31, 2023, the Company contributed $3,556 to the Plan using accumulated Plan forfeiture funds. No Company contributions were made to the Plan during the year ended March 31, 2022.

26 - Financial Instruments and risk management

The Company is exposed to a variety of financial related risks. The fair value of the Company's financial instruments, including cash, trade receivables, contract assets, amounts payable and accrued liabilities and deferred revenue approximate carrying value due to their short term nature.

a. Capital Management

The Company's capital is composed of shareholder's equity and credit facilities. The Company's objective in managing its capital is to ensure a sufficient liquidity position to finance its operations, to maximize the preservation of capital and to deliver competitive returns on invested capital. To fund its activities, the Company has relied on net earnings generated from operations, private financings and credit facilities. The Company manages its excess cash to ensure that is has sufficient reserves to fund its operations and capital expenditures.

The Company is not subject to externally imposed capital requirements.

b. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income.

c. Credit Risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the Company by failing to discharge an obligation and arises principally from the Company's trade receivable.

The Company provides credit to its customers in the normal course of operations. The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. An allowance for doubtful accounts is recorded when deemed necessary based on a combination of historical experience, aging analysis and information on specific accounts. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Historically, the Company has collected substantially all of its trade receivable. Management has determined that no allowance is required as of March 31, 2023 and that an allowance of $18,500 was required as of March 31, 2022. During the year ended March 31, 2023, the Company wrote off $18,500 for a single customer that was deemed to be uncollectible. During the year ended March 31, 2022, the Company wrote off $192,800 for a single customer that was deemed to be uncollectible.

During the year ended March 31, 2023, two customers accounted for 11.8% and 11.0% of total revenue. At March 31, 2023, three customers accounted for 32.4%, 13.5% and 12.1% of the Company's trade receivables.

During the year ended March 31, 2022, one customer accounted for 16.8% of total revenue. At March 31, 2022, three customers accounted for 19.0%, 16.4% and 15.0% of the Company's trade receivables.

26 - **Financial Instruments and risk management** - Cont'd.

c. **Credit Risk** - Cont'd.

Pursuant to their respective terms, net trade receivables are aged as follows since issuance of the invoice:

	March 31, 2023	March 31, 2022
Current	$ 4,415,830	$ 2,469,403
To 30 days	461,536	1,626,785
31 to 60 days	222,887	46,991
60 to 90 days	85,300	102,190
Over 90	230,181	106,509
Reserve	-	(18,500)
	$ 5,415,734	$ 4,333,378

The Company limits its exposure to credit risks for cash and cash equivalents by dealing only with major US financial institutions. Management does not expect any of the institutions to fail to meet their obligations. The carrying amount of cash and cash equivalents and trade receivables represents the maximum exposure to credit risk. The maximum exposure to credit risk at March 31, 2023 and 2022, respectively was $9,664,618, and $11,691,001.

d. **Liquidity Risk**

Liquidity risk is the risk over the Company's ability to meet its financial obligations when they come due. The Company is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Company manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching maturity profiles of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through the Company's bank and other lenders.

The Company's policy is to ensure adequate funding is available from operations and other sources as required. At March 31, 2023 and 2022, the Company had a cash and cash equivalents balance of $5,290,314 and $8,145,632, respectively, and has access to a credit facility (see note 12 for details). All of the Company's financial liabilities have contractual maturities of less than 30 days as at March 31, 2023 and 2022, with the exception of deferred revenue and lease obligations.

26 - **Financial Instruments and risk management** - Cont'd.

e. Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company transacts sales and purchases in foreign currency. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations. Assets and liabilities denominated in foreign currency are presented below in USD:

	March 31, 2023	March 31, 2022
Cash and cash equivalents	$ 1,157,252	$ 1,810,634
Trade receivables	400,912	337,979
Accounts payable and accrued liabilities	218,312	199,781

For the year ended March 31, 2023, all else being equal, a hypothetical strengthening of 10% of the Canadian dollar or India rupee would not have had a material impact on the Company's consolidated statement of operations and comprehensive loss. For the year ended March 31, 2022, all else being equal, a hypothetical strengthening of 10% of the Canadian dollar would have negatively impacted the Company's consolidated statement of operations and comprehensive loss for the year ended March 31, 2022 by approximately $172,000.

f. Interest Rate Risk

The Company's current credit facility is exposed to variable interest rates. As a result, should the Company utilize the facility the Company would be exposed to interest rate risk. Refer to note 12 for details of the credit facility. An increase or decrease in the interest rate would not have had a significant impact on the Company's consolidated net income for the years ended March 31, 2023 and 2022.

g. Fair value

The fair value of cash and cash equivalents, trade receivables, accounts payable and accrued expenses approximate their carrying values due to their short-term to maturity.

27 - Subsequent Events

These consolidated financial statements were approved by the board of directors and available for issuance on October 16, 2023. Management has evaluated subsequent events through the date of issuance of these consolidated financial statements.

Subsequent events

An employee exercised options to acquire 16,949 Class A shares at $0.42 per share.
Employees forfeited a total of 31,501 options due to separation of service from the Company.