# HYDREIGHT TECHNOLOGIES INC.

## Management's Discussion and Analysis
## for the three months ended March 31, 2024

*(Expressed in Canadian dollars, unless otherwise specified)*

Prepared as of May 30, 2024

## ABOUT THIS MD&A

The following management's discussion and analysis ("**MD&A**") of financial condition and results of operations of IV Hydreight, Inc. ("**Hydreight**" or the "**Company**") should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2023 and 2022, and the accompanying notes thereto (the "**Financial Statements**"), which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). This MD&A has been prepared as of May 30, 2024, pursuant to the disclosure requirements under National Instrument 51-102 - *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

The financial information of the Company contained in this MD&A is derived from the 2023 Financial Statements and the Q1 2024 Condensed Interim Consolidated Financial Statements, which were prepared in accordance with International Accounting Standards using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. The accounting policies and methods of computation applied by the Company in the Q1 2024 Consolidated Financial Statements are the same as those applied in the 2023 Financial Statements.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements which may constitute "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities law requirements (collectively, "**forward-looking statements**" or "**FLS**"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these FLS, except as required under applicable securities legislation. FLS relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, FLS can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature FLS involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the FLS. The Company provides no assurance that FLS will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on FLS.

The Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these FLS are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such FLS are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements.

## DESCRIPTION OF BUSINESS

Hydreight Technologies Inc. (the “Company”) was incorporated on April 13, 2018, pursuant to the provisions of the Business Corporation Act (British Columbia). The Company’s registered office is at 401 – 750 West Pender Street, Vancouver, British Columbia, Canada. The head office is located at 7251 West Lake Mead Boulevard, Suite 300, Las Vegas, NV 89128, United States.

On November 28, 2022, the Company completed a reverse takeover transaction (the “Reverse Takeover Transaction” or “RTO” or “Transaction”) with IV Hydreight Inc. (“Hydreight”), Victory Square Technologies Inc. (“VST” or “Parent”), 1362795 BC Ltd. (“AssetCo”), and 1203500 B.C. Ltd (“PCL Acquisition Co”). VST is the Company’s ultimate controlling parent company before and after the Transaction.

The Transaction was completed (the “Closing”) in accordance with the merger agreement effective July 12, 2022 (the "Merger Agreement") which resulted in the Company acquiring all of the equity interests of AssetCo, which immediately prior to the Closing issued shares to VST in exchange for all of the issued and outstanding shares in Hydreight, resulting in Hydreight becoming a wholly owned subsidiary of AssetCo. Prior to the Closing, the Company consolidated its outstanding shares on a 6.46805 to 1 basis. The share consolidation has been applied retrospectively in the consolidated financial statements and as a result, the common shares and option amounts of the Company presented herein are stated on an adjusted post-share basis. The Transaction constituted a Qualifying Transaction for the Company under Policy 2.4 of the TSX Venture Exchange (the "Exchange") Manual and resulted in AssetCo’s shareholders owning the substantial majority of the Company’s shares. Hydreight Canada Holdings Inc. (“HCH”) was formed by way of the amalgamation of AssetCo and PCL AcquisitionCo on November 28, 2022.

The Company’s shares trade on the TSX Venture Exchange under the trading symbol “NURS”.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries HCH, Hydreight, and Healthcare Prosoft LLC (“Prosoft”). All intercompany transactions have been eliminated on consolidation.

The Company will now pursue the business of Hydreight. The condensed interim consolidated statement of shareholders’ deficit is presented as a continuance of Hydreight and therefore the comparative figures presented are those of Hydreight. The comparative figures on the condensed interim consolidated statements of loss and comprehensive loss are those of Hydreight, HCH and Prosoft from January 1, 2023, to March 31, 2023.

Hydreight was incorporated in the State of Nevada on April 10, 2018, and operates in the digital health technology sector. The Company has developed a proprietary telemedicine service that allows users to book confidential health and wellness, and/or medical services through a mobile application, and receive services at any remote location, while leveraging the latest trends in digital health technology. Its objective is to connect health professionals or service advisors to end users in a confidential and secure way, through its mobile application. Hydreight’s operational activities began in August 2019.

The condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at March 31, 2024, the Company had a working capital deficiency of $2,345,610 (December 31, 2023 – $2,342,963), a net loss of $181,877 (March 31, 2023 – net income of $107,856), an accumulated deficit of $8,907,344 (December 31, 2023 – $8,725,467).

## ABOUT HYDREIGHT TECHNOLOGIES

Hydreight is building the largest mobile clinic network in the United States. Its proprietary, fully integrated platform hosts a network of over 2600 nurses, over 100 doctors and a pharmacy network across 50 states. The platform includes a built-in, easy-to-use suite of fully integrated tools for accounting, documentation, sales, inventory, booking, and managing patient data, which enables licensed healthcare professionals to provide services directly to patients at home, office or hotel.

Hydreight is bridging the gap between provider compliance and patient convenience, empowering nurses, med spa technicians, and other licensed healthcare professionals. The Hydreight platform allows healthcare professionals to deliver services independently, on their own terms, or to add mobile services to existing location-based operations. Hydreight has a 503B pharmacy network servicing all 50 states and is closely affiliated with a U.S. certified e-script and telemedicine provider network that provides services.

Hydreight provides and facilitates Advisors with: (i) consulting and advice in setting up their health and wellness services, including assistance with finding experienced advisors in the areas of medical and privacy law, among others; (ii) medical liability insurance; (iii) pharmaceutical IV programs vetted by duly licensed pharmacists; (iv) procedural guides with respect to various services such as Botox, fillers, etc.; and (v) hiring, on-boarding, training, marketing, branding, payroll, and other accounting services. Additionally, Hydreight offers Advisors access to a network of 503B federally regulated pharmacies with whom Hydreight has established key relationships and supply network chains (the "**Pharmacy Network**"). Advisors are required to directly order products through the Pharmacy Network to ensure quality control. The Pharmacy Network offers products from a wide array of vendors including Medline, McKesson, Allergan (Botox) and Galderma, among others.

The Company categorizes its revenues under three key divisions: (1) business partner contract revenue, (2) commission revenue on App services and (3) on pharmacy sales. Hydreight introduced a fourth revenue stream in 2022 which is white label solutions ("**White Label**") and includes primarily monthly fees and pharmacy sales, reported in contract revenue and pharmacy sales respectively.

Through the white label solutions offering, Hydreight partners with other health and wellness companies who require a white-labelled software solution to assist with service onboarding, telemedicine, training and operational procedures and systems, among others. The White Label business allows customers to obtain a custom skinned digital health software solution carrying customer specific branding, colour palettes and icon sets, among others, to complement how they do business.

Healthcare is the most heavily regulated industry in the United States. By retaining expert legal counsel to address state by state regulatory and professional licensure issues affecting mobile medicine, Hydreight has been able to position itself to compete with the largest healthcare technology companies, private and public, across the United States. Outside counsel has equipped Hydreight with the information needed to assist current and future partners and customers using its proprietary platform in navigating the vast landscape of laws and regulations that are necessary to successfully run their businesses. This knowledge saves them time and money and makes Hydreight the premium, turn-key solution for their mobile medicine needs.

**FIRST QUARTER 2024 SUMMARY**

Below are highlights of Hydreight's operations in the first quarter 2024 and subsequent to:

- First quarter revenues were $3.77 million. First quarter Adjusted Revenue[1] and Adjusted Margin[1] was $4.87M and $1.37M. The Company continued to build its White Label business, adding a second White Label partner in the quarter.
  [1]Refer to Use of Non-GAAP Financial Measures.

- The Company has approximately 117 White Label locations nationwide, with new locations opening every month.

- On March 25, 2024, Hydreight announced a partnership with American Frontline Nurses, a leading advocacy organization that offers programs that improve health outcomes for vulnerable patient populations by providing them with education and resources. The organization has a network of over 26,000 nurses across the US. As part of the partnership effective March 22, 2024, Hydreight will be able to target the nurse network to sell annual subscriptions to its membership.

- On February 26, 2024, Hydreight announced that it has entered into a partnership with Ola Digital Health ("Ola") an innovative healthcare platform with a national pharmacy network in the United States, to provide health and wellness services inside its network of brick-and-mortar locations. As part of the Phase I rollout, the Company will partner with Ola in seven pharmacy locations and will provide its robust product offering and various other peptides in store for customers. All bookings will be completed through its platform. There are immediate synergies between Hydreight and Ola, and together they will provide easier access to services, an ecosystem of healthcare providers and a compliant and safe experience which in turn, can improve patient outcomes.

- On January 8, 2024, Hydreight provided a 2023 year-end review and summary of its progress and growth during the year reflecting significant revenue growth and strong organic operational growth and defined strategic priorities for 2024. The Company now has approximately 3,000 nurses on its platform.

The Company believes the following Non-GAAP[1] financial measures provides meaningful insight to its shareholders in understanding the Company's performance, and may assist in the evaluation of the Company's business relative to that of its peers:

| | Three months ended March 31, | | | | |
|---|---|---|---|---|---|
| | | 2024 | | 2023 | % change |
| Adjusted Revenue | $ | 4,867,004 | $ | 3,667,421 | 33% |
| Deduct - deferred business partner contract revenue | | (116,978) | | (19,048) | |
| Deduct - business partner payouts on app service gross revenue | | 1,606,376 | | 1,338,053 | |
| GAAP Revenue | $ | 3,377,606 | $ | 2,348,416 | 44% |
| Adjusted Gross Margin | $ | 1,114,356 | $ | 1,023,385 | 9% |
| Deduct - deferred business partner contract revenue | | (116,978) | | (19,048) | |
| GAAP Gross Margin | $ | 1,231,334 | $ | 1,042,433 | 18% |
| Adjusted EBITDA | $ | (45,873) | $ | (83,979) | 45% |
| Deduct - amortization and depreciation | | 46,553 | | 15,948 | |
| Deduct - share-based payments | | 216,295 | | - | |
| GAAP Net Loss | $ | (308,721) | $ | (99,927) | -209% |

[1]Refer to Use of Non-GAAP Financial Measures

Hydreight has expanded each division according to the revenue generation and needs of each specific division; scaling while the division's initiatives are performing successfully.

**SUMMARY OF QUARTERLY RESULTS**

The table below sets out a summary of certain financial results of the Company over the past eight quarters and is derived from the audited annual consolidated financial statements and unaudited quarterly consolidated financials statements of the Company.

| Fiscal Quarter Ended | Revenue | Net Loss After Taxes | Comprehensive Loss | Basic and Diluted Loss Per Share |
|---|---|---|---|---|
| March 31, 2024 | 3,377,606 | (308,721) | (370,559) | (0.01) |
| December 31, 2023 | 3,373,193 | (898,561) | (865,068) | (0.02) |
| September 30, 2023 | 3,088,219 | (466,973) | (548,954) | (0.01) |
| June 30, 2023 | 2,699,668 | (471,890) | (405,638) | (0.01) |
| March 31, 2023 | 2,348,416 | (99,927) | (99,125) | (0.00) |
| December 31, 2022 | 1,695,134 | (5,060,755) | (5,062,144) | (1.44) |
| September 30, 2022 | 1,136,510 | (240,360) | (298,367) | (0.07) |
| June 30, 2022 | 823,053 | (262,662) | (309,665) | (175.09) |

The Company has experienced dramatic user growth over the past three years as can be seen by the consistent revenue growth over the past eight quarters. Net loss and comprehensive loss on core operations have decreased slightly, though generally remained comparable from the fourth quarter of 2022 through the current period when looking only at operating expenses, not including stock-based compensation, capital markets expenses and the RTO Transaction related expenses included in the fourth quarter of 2022.

**SELECTED ANNUAL INFORMATION**

The table below sets out selected annual financial results of the Company and is derived from the Financial Statements.

| | | As at March 31, 2024 | | As at December 31, 2023 |
|---|---|---|---|---|
| Current assets | $ | 1,586,904 | $ | 2,064,487 |
| Non-current assets | | 713,541 | | 539,521 |
| Total assets | | 2,300,445 | | 2,604,008 |
| Currrent liabilities | | 4,257,478 | | 4,407,450 |
| Non-current liabilities | | 28,148 | | 27,475 |
| Total liabilities | $ | 4,285,626 | $ | 4,434,925 |

| | | Three months ended March 31, 2024 | | 2023 |
|---|---|---|---|---|
| Total revenues | $ | 3,377,606 | $ | 2,348,416 |
| Net loss after taxes | | (308,721) | | (99,927) |
| Comprehensive loss for the year | | (370,559) | | (99,125) |
| Basic loss per share | | (0.01) | | (0.00) |
| Diluted loss per share | | (0.01) | | (0.00) |

No cash dividends have been declared by the Company in their operating history.

**DISCUSSION OF OPERATIONS**

***Revenue***

Revenue for the three months ended March 31, 2024, was $3,377,606 compared to $2,348,416 for the corresponding prior year period. The increase in revenue is related to the significant growth in new business partners and renewals of existing partners, which translates into higher contract revenue, commission revenue and pharmacy sales.

***Pharmacy Purchases***

Pharmacy purchases for the three months ended March 31, 2024, was $2,146,272 compared to $1,305,983 for the corresponding prior year period. Pharmacy purchases consist solely of the cost of pharmacy purchases to fulfill pharmacy sales. The increase in pharmacy purchases is consistent with the increase in pharmacy sales from Hydreight network growth.

***Gross Margin***

The gross margin for the three months ended March 31, 2024, was $1,231,334 or 36.46%, compared to $1,042,433 or 44.39% for the corresponding prior period. The gross margin for pharmacy sales, for the three months ended March 31, 2024, was $329,849 or 13.32% compared to $169,734 or 11.50% for the comparative period. Both the overall gross margin percentage and pharmacy margin remained consistent period over period. The increase in both overall margin and pharmacy margin in the first quarter reflects the variability in timing of revenue recognized between subscription revenue and pharmacy product included in an annual subscription fee. Generally, Hydreight aims to earn a 20% margin on pharmacy sales before discounts and incentives, however individual product margins vary by type and manufacturer and the timing of sales promotions is also variable.

***Expenses***

For the three months ended March 31, 2024, total operating expenses were $1,547,699 compared to $1,137,087 for the corresponding comparative period. Material variances over this period are discussed below.

*General and Administration*

General and administrative expenses were $204,973 for the three months ended March 31, 2024. The corresponding comparative period is not meaningful as the Company reclassified several expense items out of general and administration. The increase in this amount is primarily due to the provision for US State sales tax. General and administrative expense also includes items that are directly correlated with the level of sales and transactions, which generally increase in step with revenues. The Company experienced a general increase in overhead costs for software, communications, merchant processor fees and business development required to support an increase in Company operations, user growth, revenues, and business development efforts. The increase is also due to several newly incurred costs in the current period including recruitment fees associated with building and growing the Canadian office.

*Insurance*

Insurance expense was $27,979 for the three months ended March 31, 2024, as compared to $14,054 for the comparative period. The increase in insurance expense is due to directors and officers' insurance obtained on the going public transaction as well as an increase in premiums for general liability due to an increase in scope of coverage.

*Management Fees*

Management fees, charged by VST, were $Nil for the three months ended March 31, 2024, as compared to $40,578 for the corresponding comparative period. The decrease in this amount for the comparative year is due to a one-time $400,000 fee related to the Transaction recorded in the year ended December 31, 2022, as well as the cessation of monthly management fees charged at the end of the second quarter. Management fees are comprised of fees charged from VST to cover advisory and overhead costs; VST acquired the Company in early 2021.

*Professional and Consulting*

Professional and consulting fees were $328,202 for the three months ended March 31, 2024, as compared to $395,391 for the corresponding comparative period. The variance is due to specific recurring costs required to support public company administration and compliance and non-recurring fees related to special projects and investment in software improvements. The Company evaluates technical work and directly related supporting costs for capitalization to intangible asset and at each reporting period capitalizes eligible development costs, which consist primarily of technical development expenses and labor. Non-recurring costs includes higher legal fees that are partially non-recurrent in nature. Healthcare is the most heavily regulated industry in the United States. By retaining expert legal counsel to address state by state regulatory and professional licensure issues affecting mobile medicine, the Company has been able to position Hydreight to compete with the largest companies, private and public, across the United States.

*Wages and Labor*

Wages and labor expense was $434,047 for the three months ended March 31, 2024, as compared to $217,828 for the comparative period. The overall increase year over year is due to the net addition of human resources in Canada and the US to support growing operations. Wages and labor expense includes both salaried employees and contract labor.

*Rent Expense*

Rent expense was $67,389 for the three months ended March 31, 2024, as compared to $25,251 for the corresponding comparative period. The increase is due to rent expenses incurred to support Canadian based resources as well as contracted warehouse rent to store pharmacy product kit inventory. The Canadian rent expenditure started in the second quarter of 2023.

*Sales and Marketing*

Sales and marketing expense was $36,911 for the three months ended March 31, 2024, as compared to $73,854 for the three months ended March 31, 2023. The decrease is due to a decrease in internet-based marketing and increase in labor resources with duties that include elements of sales and marketing.

*Share-based Payment*

Share-based payment expense was $216,295 for the three months ended March 31, 2024, as compared to $Nil for the three months ended March 31, 2023.

*Investor Relations and Capital Markets*

Investor relations and capital markets expense was $75,458 for the three months ended March 31, 2024, as compared to $116,255 for the three months ended March 31, 2023. Investor relations and capital markets expense includes the costs of investor relations resources and events, transfer agent, regulatory and exchange fees and corporate communications. The decrease in the current period is due to lower overall public relations spending as well as non-recurring fees related to obtaining a US listing.

*Amortization and depreciation*

Amortization and depreciation expense was $46,553 for the three months ended March 31, 2024, as compared to $15,948 for the three months ended December 31, 2022. The increase is due to additional investment in the White Label software as well as a halving of the amortization period from 10 years to 5 years adjusted for at the 2023 year end.

## LIQUIDITY

As at March 31, 2024, the Company had total current assets of $1,586,904 comprised of $1,338,509 in cash, $74,635 in prepaids and deposits, $7,731 in trade receivables, $103,450 in inventories, $28,184 in due from related party and $33,875 in short-term loan.

As at March 31, 2024, the Company had total current liabilities of $4,257,478 comprised of $1,900,363 in accounts payable and accrued liabilities, $810,981 in amounts due to related parties, and $1,546,134 in current portion of contract liabilities.

As at March 31, 2024, the Company had a working capital deficiency of $2,670,574, comprised of $1,586,904 in current assets and $4,257,478 in current liabilities. The amount due to related parties is due on demand and will be settled over time subject to the working capital needs of the Company. Contract liabilities represents unearned business partner contract revenue earned over time and does not involve an outflow of cash.

As at December 31, 2023, the Company had total current assets of $2,064,487 comprised of $1,783,787 in cash, $121,402 in prepaids and other deposits, $23,799 in trade receivables and $103,753 in inventories.

As at December 31, 2023, the Company had total current liabilities of $4,407,450, comprised of $1,903,979 in accounts payable and accrued liabilities, $811,639 in amounts due to related parties and $1,691,832 in contract liabilities.

As at December 31, 2023, the Company had a working capital deficiency of $2,342,963, comprised of $2,064,487 in current assets and $4,407,450 in current liabilities.

The Company's ability to meet its ongoing obligations and activities depends on its ability to generate cash flow through scaling operations and the issuance of common shares of the Company pursuant to equity financings and short-term or long-term loans. Capital markets may not be receptive to future offerings of new equity from treasury or debt, whether by way of private placements or public offerings.

| Contractual Obligations | Total | Less than 1 year | 1-3 years | 3-5 years | After 5 years |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $1,900,363 | $1,900,363 | $ - | $ - | $ - |
| Short-term rental commitments[1] | 253,248 | $ 253,248 | $ - | $ - | $ - |
| Due to related parties | 810,981 | 810,981 | - | - | - |
| Total Contractual Obligations | $2,964,592 | $2,964,592 | $ - | $ - | $ - |

[1] Short-term rental commitments for US head office at USD $2,612 per month at 1.34 USD/CAD estimated rate and Cdn office at $9,942 for the three months ended March 31, 2024 and $8,022 for the six months ended September 30, 2024.

The Company collects cash in advance of recognizing revenue for contract and pharmacy revenues. Its core business model requires no working capital invested in inventory as the Company receives payment in advance of fulfilling orders from the pharmacies. The Company is also working towards an automated solution for settlement of service payables to business partners wherein partners will be able to automatically debit the Company's account on demand based on their financial position relative to the Company. The primary aim is to reduce the time needed to address this function but also will benefit the Company in that it will inevitably result in partners withdrawing funds in larger amounts, but less frequently than current liabilities are settled. This will further improve the Company's working capital position.

## CAPITAL RESOURCES

As at March 31, 2024, the Company had 38,319,005 common shares issued and outstanding.

The Company defines capital as shareholders' deficit and amounts due to related parties. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue the development of its technology and products and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

There were no changes in the Company's approach to capital management during the three months ended March 31, 2024.

The Company has several commitments for consulting services with related parties with commercial substance at a monthly rate comparable to an arm's length compensation level. The Company also has a contractual commitment for monthly software maintenance services.

There are no other sources of financing arranged but not yet used by the Company. There are no commitments for capital expenditures.

## OFF-BALANCE SHEET TRANSACTIONS

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial performance or financial condition, including with respect to revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

## RELATED PARTY TRANSACTIONS

Key Management

The Company's key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company and consist of the Company's executive leadership team. During the three months ended March 31, 2024, the Company incurred $60,696 (2023 - $60,867) of compensation costs to the CEO of the Company. As at March 31, 2024, $76,964 (USD $56,800) of a $60,000 USD advance to the CEO is outstanding, of which $28,184 is included in the current portion of due from related parties and the remaining balance of $48,780 is included in the non-current portion of the due from related parties on the condensed interim consolidated statement of financial position. The balance is included as a long-term asset in due from related parties together with $8,130 of advances to related corporations controlled by a certain director due on demand.

On July 18, 2023, the Company executed a series of RSU agreements with the CFO, management, consultants, employees and a director. In total, 2,975,000 RSUs were issued with 50% of the RSUs vesting on July 18, 2024, and 25% vesting on each of January 18, 2025, and July 18, 2025. Upon vesting, each RSU converts into one common share or cash consideration equal to the amount of the market price of common shares at the vesting date, at the Company's discretion. The total of RSUs issued to related parties is 1,060,000 units, 60,000 of which were granted to the CFO, with total share-based payments expense to related parties for the July 18, 2023, issuance of $25,134 for the three months ended March 31, 2024.

On November 17, 2023, as part of another RSU issuance, the Company granted 90,000 RSUs to a director, vesting at 50% on November 17, 2024, and 25% each of May 17, 2025, and November 17, 2025. Total share-based payment expense on this issuance for the three months ended March 31, 2024, was $5,137.

Parent Corporation
For the three months ended March 31, 2024, the Company incurred $Nil in monthly management fees from VST (2023 – $40,578). The Company owes $816,127 (December 31, 2023 - $811,639) to VST and VST subsidiaries. The amount is non-interest bearing, unsecured and due on demand.

For the three months ended March 31, 2024, the Company incurred $40,465 in monthly fees from VST in accordance with a consulting agreement between the CFO, VST, and the Company for CFO services. In the three months ended March 31, 2024, VST charged the Company $Nil in rent and $Nil in extended health premiums from the Company, which were included in monthly management fees from VST in the comparative period. The CFO fees are included in professional and consulting fees on the condensed interim consolidated statement of loss and comprehensive loss.

Consultants
For the three months ended March 31, 2024, the Company incurred $45,050 of expenses (March 31, 2023 - $113,021) to an Ohio limited liability company ("the LLC") for services provided by a certain director, of which $45,050 (March 31, 2023 - $60,325) of fixed monthly and per transaction-based fees are included in consulting – operations expense and $Nil (March 31, 2023 - $22,803) of percentage-based fees are netted within commission revenue. The percentage-based fees are paid out on demand, with the amount related to the three months ended March 31, 2024, included in business partner payable. This individual became a director of the Company on the Closing of the Transaction and is the sole shareholder of the LLC. The Company and the LLC entered into a medical consultation agreement dated January 1, 2021, as amended, for consulting services provided by the Director wherein the Director is paid a base fee of USD $3,000 per month, a fixed fee for each partner that goes live in the platform for which the Director consulted with, and a percentage-based fee for every transaction generated by the Company. The medical consultation agreement will remain in effect until terminated according to provisions in the agreement. The director received 250,000 of the 1,060,000 RSUs issued to related parties in the July 18, 2023, RSU issuance.

For the three months ended March 31, 2024, the Company incurred $60,696 (March 31, 2023 - $40,578) of consulting fees charged from a holding company controlled by a certain executive of VST for business strategy consulting services in accordance with the terms of a consulting agreement entered into with the Company upon the closing of the RTO. Included in accounts payable is $33,875 (December 31, 2023 - $33,065) owed to this related party. The original agreement is for USD $120,000 per annum in cash (payable in monthly installments of USD $10,000). Effective May 1, 2023, the agreement was amended to USD $15,000 per month. The agreement is for an initial term of 36 months and will automatically renew for consecutive periods of 12 months unless either party gives the other party 30 days written notice of non-renewal prior to the expiry. In the event that the agreement is terminated due to a change in the voting control of the Company, the holding company will receive a lump sum payment equal to the portion of the annual fee that would have been earned for the remaining duration of the term of the agreement, subject to a maximum of USD $120,000. The holding company was granted 750,000 of the 1,060,000 RSUs issued to related parties in the July 18, 2023, RSU issuance.

For the three months ended March 31, 2024, the Company incurred $3,000 (March 31, 2023 - $5,260) in consulting fees to a Company controlled by a director included in consulting – operations.

**CRITICAL ACCOUNTING ESTIMATES**

The Company's significant accounting estimates are presented in Note 2(d) in the notes to the 2023 Financial Statements. The preparation of the Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period presented and reported amounts of expenses during the same period. Actual outcomes could differ from these estimates. The 2023 and 2022 Financial Statements include estimates, which, by their nature, are uncertain. The impact of such estimates may require accounting adjustments based on future occurrences. Any revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods if the revision affects the future. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. Management approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) Fair value

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. However, considerable judgment is required to develop certain of these estimates. Accordingly, these estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of each class of financial instruments are discussed below.

The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which includes cash, prepaid and other deposits, trade receivables, accounts payable and accrued liabilities, and amounts due to and from related parties approximates their carrying values due to the relatively short-term maturity of these instruments.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The cash is deposited in bank accounts in Canada and the US. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using a bank that is a high credit quality financial institution as determined by rating agencies. Credit risk on cash is assessed as low.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. The Company's accounts payable and accrued liabilities and lease commitment are contractually due within 12 months of December 31, 2023. The amount due to parent has no formal terms of repayment and will be settled in a manner agreeable to both parties working with the working capital needs of the Company.

Historically, the Company's access to financing has been the issuance of equity securities and cash flows from operating activities and advances from related parties. The Company's access to financing is uncertain. There can be no assurance of continued access to significant equity funding or debt financing. Liquidity risk is assessed as moderate to high.

e) Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates. The majority of the Company's operations and transactions are conducted in US dollars, with certain expenses incurred in CAD. Foreign exchange risk is assessed as moderate.

## MATERIAL ACCOUNTING POLICIES

The accounting policies in Note 2 of the Company's condensed interim consolidated financial statements for the three months ended March 31, 2024, have been consistently applied to all periods presented in the Financial Statements.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Please see Note 11 of the Company's condensed interim consolidated financial statements for the three months ended March 31, 2024, for full discussion on financial instruments, the fair value measurement and associated risk management.

## SUMMARY OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value. As at May 30, 2024, 38,319,005 common shares are issued and outstanding. Common shares carry one vote per share.

As at May 30, 2024, the Company has 613,000 stock options outstanding. The stock options are exercisable at prices between $0.25 and $0.31 for two years from the date of grant. The Company also has granted a total of 3,660,928 restricted share units ("RSUs") that vest according to performance metrics or service period.

## KEY DEVELOPMENTS SUBSEQUENT TO MARCH 31, 2024

On April 5, 2024, the Company issued 61,000 RSUs to an employee which will 100% vest on April 5, 2025.

On May 1, 2024, the Company advanced another $15,000 USD on a working capital loan pursuant to a binding letter of intent with a target company.

## U.S. INCOME TAX STATUS

U.S. federal tax legislation was enacted in 2004 to address perceived U.S. tax concerns in "corporate inversion" transactions. A "corporate inversion" generally occurs when a non-U.S. corporation acquires "substantially all" of the equity interests in, or the assets of, a U.S. corporation or partnership, if, after the acquisition, former equity holders of the U.S. corporation or partnership own a specified level of stock in the non-U.S. corporation. The tax consequences of these rules depend upon the percentage identity of stock ownership that results. Generally, in the "80-percent identity" transactions, i.e. former equity holders of the U.S. corporation owns 80% or more of the equity of the non-U.S. acquiring entity (excluding certain equity interests), the tax benefits of the inversion are limited by treating the non-U.S. acquiring entity as a domestic entity for U.S. tax purposes. Note, the ownership percentage is computed under section 7874 which varies from legal ownership.

Management is of the view that a corporate inversion has resulted from the RTO transaction completed in November 2022. Management has determined that the Company is subject to the "80 percent" identity with respect to the transactions undertaken. The tax implication resulting from this transaction would be annual filing of US corporate income tax return and additional withholding tax payment to IRS on future distribution to minority shareholders.

## USE OF NON-GAAP FINANCIAL MEASURES

This release contains references to non-GAAP financial measures Adjusted Revenue, Adjusted Gross Margin, and Adjusted EBITDA. The Company defines Adjusted Revenue as gross cash income before adjustment for the deferred portion of business partner contract revenue and gross receipts from Hydreight App service sales. The Company defines Adjusted Gross Margin as GAAP gross margin plus inventory impairment plus the deferred portion of business partner contract revenue. The Company defines Adjusted EBITDA as net income (loss) before interest, taxes, depreciation and amortization and before (i) transaction, restructuring, and integration costs and share-based payments expense, and (iii) gains/losses that are not reflective of ongoing operating performance. The Company believes that the measures provide information useful to its shareholders and investors in understanding the Company's operating cash flow growth, user growth, and cash generating potential for funding working capital requirements, service future interest and principal debt repayments and fund future growth initiatives. These non-GAAP measures may assist in the evaluation of the Company's business relative to that of its peers more accurately than GAAP financial measures alone. This data is furnished to provide additional information and does not have any standardized meaning prescribed by GAAP. Accordingly, it should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP and is not necessarily indicative of other metrics presented in accordance with GAAP.

Neither TSXV nor its Regulation Services Provider (as that term is defined in policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release. This press release does not constitute an offer of securities for sale in the United States. The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and such securities may not be offered or sold within the United States absent U.S. registration or an applicable exemption from U.S. registration requirements.

**RISK FACTORS**

In addition to the other information included in this report, readers should consider carefully the following factors, which describe the risks, uncertainties and other factors that may materially and adversely affect the Company's business, products, financial condition and operating results. There are many factors that affect the Company's business and results of operations, some of which are beyond the Company's control. The following is a description of some of, but not all of, the important factors that may cause the Company's actual results of operations in future periods to differ materially from those currently expected or discussed in the FLS set forth in this report relating to the Company's financial results, operations and business prospects. Except as required by law, the Company undertakes no obligation to update any such FLS to reflect events or circumstances after the date of this MD&A.

For the purposes of this section, "**Material Adverse Change**" means any change of circumstances or any event which has, or would reasonably be expected to have, a material adverse effect in respect of the Company, any one or more changes, events or occurrences, and "**material adverse effect**" means, in respect of the Company, any change (or any condition, event or development involving a prospective change) in the business, operations, affairs (including the employment status of key employees), assets, liabilities (including any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise) capitalization, financial condition, licenses, permits, rights or privileges of the Company or any of its subsidiaries which in the judgment of the Company, acting reasonably in the circumstances, could reasonably be expected to materially and adversely affect the Company and its subsidiaries taken as a whole or the value of the securities of the Company.

For a discussion of risk factors, please refer to the filing statement of the Company under "Risk Factors" therein. The filing statement is available under the Company's profile on SEDAR+ at www.sedarplus.ca.