

TURNIUM TECHNOLOGY GROUP INC.

Condensed Interim Consolidated Financial Statements

March 31, 2023

(Expressed in Canadian dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed interim consolidated financial statements of Turnium Technology Group Inc. (the "Company") are the responsibility of the Company's management. The condensed consolidated interim financial statements are prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting under International Financial Reporting Standards as issued by the International Accounting Standards Board, and reflect management's best estimates and judgments based on information currently available.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Audit Committee reviews the results of the annual audit and reviews the condensed consolidated interim financial statements prior to their submission to the Board of Directors for approval.

The condensed consolidated interim financial statements as at March 31, 2023, and for the periods ended March 31, 2023 and 2022, have not been reviewed or audited by the Company's independent auditors.

"EVELYN BAILEY"

Evelyn Bailey, Director

"DEREK SPRATT"

Derek Spratt, Director

TURNIUM TECHNOLOGY GROUP INC.Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	March 31, 2023	September 30, 2022
	\$	\$
Assets		
Current assets		
Cash	377,961	608,969
Amounts receivable	350,633	525,196
Prepaid expenses	119,077	166,510
Total current assets	847,671	1,300,675
Non-current assets		
Prepaid expenses	37,423	38,030
Right-of-use assets (Note 7)	611,683	684,634
Property and equipment (Note 8)	75,391	81,757
Intangible assets (Note 9)	250,453	270,819
Goodwill (Note 6)	1,137,158	1,137,158
Total assets	2,959,779	3,513,073
Liabilities and Deficiency		
Current liabilities		
Accounts payable and accrued liabilities (Note 13)	2,001,615	1,396,163
Deferred revenue (Note 4(h))	269,740	46,057
Due to related parties (Note 13)	115,170	85,871
Promissory notes (Note 12)	400,000	400,000
Loans payable (Note 11)	1,850,000	1,850,000
Lease liabilities (Note 10)	111,023	106,487
Total current liabilities	4,747,548	3,884,578
Non-current liabilities		
Loans payable (Note 11)	162,808	152,268
Lease liabilities (Note 10)	546,155	601,821
Derivative warrant liabilities (Note 14)	48,806	338,845
Deferred tax liability	84,780	84,780
Total liabilities	5,590,097	5,062,292
Deficiency		
Common shares (Note 15)	11,603,931	11,609,433
Other reserves	2,161,333	2,161,333
Share-based payment reserve (Notes 15 and 16)	4,647,769	4,122,571
Deficit	(21,043,351)	(19,442,556)
Total deficiency	(2,630,318)	(1,549,219)
Total liabilities and deficiency	2,959,779	3,513,073

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 19)

Subsequent events (Note 25)

Approved and authorized for issuance by the Board of Directors on May 29, 2023:

"EVELYN BAILEY"

"DEREK SPRATT"

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

TURNIUM TECHNOLOGY GROUP INC.

Condensed Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars except share amounts)

	Three months Ended March 31, 2023	Three months Ended March 31, 2022	Six months Ended March 31, 2023	Six months Ended March 31, 2022
	\$	\$	\$	\$
Revenue (Notes 4(h), 24)	1,185,056	1,451,922	2,478,669	2,668,084
Cost of goods sold	(298,516)	(544,539)	(665,729)	(840,523)
Gross profit	886,540	907,383	1,812,940	1,827,561
Expenses				
Amortization	14,264	14,679	30,640	18,224
Amortization of right-of-use assets	36,475	1,378	72,951	1,378
General and administrative (Note 21)	1,155,129	747,399	1,552,760	1,463,121
Research and development (Note 21)	345,360	275,496	692,353	485,431
Sales and marketing (Note 21)	364,284	433,178	808,651	807,372
Share-based compensation (Note 17)	173,813	682,362	525,198	1,180,716
Total operating expenses	2,089,325	2,154,492	3,682,553	3,956,242
Loss before other income	(1,202,785)	(1,247,109)	(1,869,613)	(2,128,681)
Other income (loss)				
Gain (loss) on change in fair value of derivatives (Note 14)	82,615	6,305	290,039	40,542
Foreign exchange gain (loss)	25,399	(1,479)	52,240	2,597
Interest and accretion expense (Note 22)	(107,072)	(239,741)	(226,036)	(455,419)
Scientific research & experimental development refund (Note 4(o))	-	-	152,575	-
Net loss and comprehensive loss for the period	(1,201,843)	(1,482,024)	(1,600,795)	(2,540,961)
Basic and diluted loss per common share	(0.02)	(0.03)	(0.02)	(0.04)
Weighted average number of common shares outstanding	68,865,009	58,373,629	68,865,009	58,029,693

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

TURNIUM TECHNOLOGY GROUP INC.

Condensed Interim Consolidated Statements of Changes in Deficiency
(Expressed in Canadian dollars except share amounts)

	Common Shares		Common Shares Subscribed \$	Other Reserve \$	Warrant Reserve \$	Share-based Payment Reserve \$	Deficit \$	Total Deficiency \$
	Number #	Amount \$						
Balance, September 30, 2021	57,693,234	6,460,049	(100)	590,743	-	2,119,747	(12,147,929)	(2,977,490)
Share-based compensation	-	-	-	-	-	1,180,716	-	1,180,716
Derivative warrant reclassified (Note 14 (a))	-	-	-	-	1,517,593	-	-	1,517,593
Common shares issued for exercise of options (Note 15)	805,731	130,148	-	-	-	(130,148)	-	-
Share issuance costs	-	5,401	-	-	-	-	-	5,401
Net loss and comprehensive loss	-	-	-	-	-	-	(2,540,961)	(2,540,961)
Balance, March 31, 2022	58,498,965	6,595,598	(100)	590,743	1,517,593	3,170,315	(14,688,890)	(2,814,741)
Balance, September 30, 2022	68,865,009	11,609,433	-	590,743	1,570,590	4,122,571	(19,442,556)	(1,549,219)
Share-based compensation	-	-	-	-	-	525,198	-	525,198
Share issuance costs	-	(5,502)	-	-	-	-	-	(5,502)
Net loss and comprehensive loss	-	-	-	-	-	-	(1,600,795)	(1,600,795)
Balance, March 31, 2023	68,865,009	11,603,931	-	590,743	1,570,590	4,647,769	(21,043,351)	(2,630,318)

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

TURNIUM TECHNOLOGY GROUP INC.Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Six months Ended March 31, 2023	Six months Ended March 31, 2022
	\$	\$
Operating activities		
Net loss for the period	(1,600,795)	(2,540,961)
Items not affecting cash:		
Accretion	15,076	267,903
Depreciation and amortization	30,640	18,224
Amortization of right-of-use assets	72,951	1,378
Loss (gain) on change in fair value of derivatives (Note 14)	(290,039)	(40,542)
Lease interest	-	1,108
Share-based compensation	525,198	1,180,716
Changes in non-cash operating working capital:		
Amounts receivable	174,563	203,411
Prepaid expenses	48,040	(274,686)
Accounts payable and accrued liabilities	605,452	440,267
Deferred revenue	223,683	37,781
Net cash used in operating activities	(195,231)	(705,401)
Investing activities		
Purchase of property and equipment	(3,908)	(12,311)
Net cash provided by (used in) investing activities	(3,908)	(12,311)
Financing activities		
Proceeds from convertible promissory note (Note 11(d))	-	1,000,000
Finance cost of convertible note	-	18,220
Share issuance costs	(5,502)	5,401
Proceeds from (repayments to) related parties	29,299	(270,622)
Lease payments	(55,666)	-
Net cash provided by financing activities	(31,869)	752,999
Increase (decrease) in cash	(231,008)	35,287
Cash beginning of the period	608,969	432,346
Cash end of the period	377,961	467,633
Supplemental cash flow information (Note 23)		

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

TURNIUM TECHNOLOGY GROUP INC.

Notes to the Consolidated Financial Statements
for the Six Months Ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern

Turnium Technology Group Inc. (formerly RMR Science Technology Inc.) (the “Company”) was incorporated on October 17, 2017, pursuant to the provisions of the Business Corporations Act (British Columbia). The head office and registered and records office of the Company is located at 3355 Grandview Hwy, Vancouver, British Columbia, V5M 1Z5.

On June 16, 2022 the Company completed a reverse acquisition transaction (the “Reverse Acquisition Transaction” or “RTO”) with Turnium Technology Group, Inc. Pursuant to the Reverse Acquisition Transaction, the Company acquired all of the issued and outstanding securities of Turnium Technology Group, Inc., whereby former Turnium Technology Group, Inc. shareholders received one common share of the Company for each Turnium Technology Group, Inc. common share held (Note 5). Upon closing of the RTO, Turnium Technology Group, Inc. changed its name to Turnium Network Solutions Inc. (“TNSI”).

On June 16, 2022, immediately prior to closing the RTO, the Company consolidated its outstanding common shares on the basis of five old shares for each one new share (on a post-consolidation basis, the “Shares”). In conjunction with the closing of the RTO, the Company has changed its name to “Turnium Technology Group Inc.” and its trading symbol to “TTGI”.

Effective at the opening, June 22, 2022, the Company’s common shares commenced trading under the name Turnium Technology Group Inc. The Company is classified as a technology company and is listed as a Tier 2 issuer on the TSX Venture Exchange (“TSX-V”).

The Company’s subsidiary, TNSI, was formed by way of amalgamation on October 1, 2020 under the Business Corporations Act (British Columbia).

On February 28, 2021, TNSI entered into a share purchase agreement with the shareholders of Tenacious Networks Inc. (“TNET”), a company incorporated in the province of British Columbia in 2019, whereby TNSI purchased 100% of the issued and outstanding common shares of TNET.

TNSI and its subsidiary are engaged in the provision of an SD-WAN business platform, professional IT services and support, hardware sales and the resale of third-party services targeted at corporate clients.

The condensed interim consolidated financial statements for the six months ended March 31, 2023 and the comparative figures include the results of operations of TNSI and TNET from October 1, 2021 and of the Company from June 16, 2022, the date of the RTO.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of March 31, 2023, the Company had a working capital deficiency of \$3,899,877, and accumulated deficit of \$21,043,351, and during the six months ended March 31, 2023, the Company incurred a net loss of \$1,600,795. The Company is in default of the financial covenants of a loan. As a result, the loan may be called and required to be repaid (Note 11(c)).

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The impact on the Company has not been significant, and while the Company does not anticipate any long-term impact, it is not possible to reliably estimate the immediate impact on the financial results and condition of the Company. The Company will continue to monitor and assess risks associated with COVID-19.

These factors, among others, indicate there are material uncertainties that may cast significant doubt as to the ability of the Company to continue as a going concern. Further, if the Company is unable to meet its loan covenants due to its working capital deficiency, the lenders may call their loans. There can be no assurances that sufficient equity can be raised on acceptable terms on a timely basis. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

TURNIUM TECHNOLOGY GROUP INC.

Notes to the Consolidated Financial Statements
for the Six Months Ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern (continued)

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

2. Basis of Presentation

(a) Statement of Compliance and Principles of Consolidation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) on a going concern basis.

The condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

Name of Subsidiary	Place of Incorporation	Ownership
Turnium Technology Group Inc.	British Columbia, Canada	Parent
Tenacious Networks Inc. (“TNET”)	British Columbia, Canada	100%
Turnium Network Solutions Inc. (“TNSI”)	British Columbia, Canada	100%

Subsidiaries are entities that the Company controls, either directly or indirectly. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions and balances have been eliminated upon consolidation.

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on May 29, 2023.

(b) Basis of Measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss, which are stated at their fair value, and are presented in Canadian dollars, which is also the functional currency of the parent and subsidiaries of the Company. Additionally, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. Critical Accounting Estimates and Judgments

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of expenses during the period.

These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

TURNIUM TECHNOLOGY GROUP INC.

Notes to the Consolidated Financial Statements
for the Six Months Ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

3. Critical Accounting Estimates and Judgments (continued)

Significant accounting estimates:

i) The useful life and recoverability of long-lived assets:

Management estimates the useful life of long-lived assets based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of technical or commercial obsolescence, and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's long-lived assets in the future.

The assessment of impairment of long-lived assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions, timing of cash flows, the useful lives of assets, and their related salvage values

ii) The useful life of property and equipment:

The Company estimates the useful lives and selects methods used to allocate amortization amounts of property, equipment, and furniture on a systematic basis. Technical obsolescence of tangible assets could significantly impact estimated residual useful lives and, in turn, carrying values being over or understated. Where impairment is indicated, the Company estimates the fair value of the assets and charges the difference between the fair value and the carrying amount, if any, to impairment expense. The estimates of the useful lives of property and equipment are reviewed on an annual basis. Depreciation or amortization is adjusted on a prospective basis, if and when required.

iii) Convertible debts:

The convertible debts were separated into their liability and equity components on the condensed interim consolidated statements of financial position. The liability component is initially recognized at fair value, calculated at the net present value of the liability based upon non-convertible debt issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for non-convertible debt with similar terms at the time of issue. The determination of the fair value of the liability and equity components are based on a number of assumptions including contractual future cash flows, discount factors, and the presence of any derivative instruments.

iv) Valuation of intangibles and goodwill:

The impairment test for cash generating units ("CGUs") to which goodwill is allocated based on the value in use of the CGU, determined in accordance with the expected cash flow approach. The calculation is based on assumptions used to estimate future cash flows, the cash flow growth rate and the discount rates. The Company exercises significant judgement in determining CGUs.

v) The inputs used in the valuation of share-based compensation:

The fair value of stock options granted and finders' warrants are measured using a Black-Scholes option pricing model. Measurement inputs include share price on measure date, exercise price of the option, expected volatility, actual and expected life of the option, expected dividends based on the dividend yield at the date of the grant, anticipated forfeiture rate, and the risk-free interest rate. In order to estimate volatility, the Company uses companies with similar characteristics that have prices quoted on an active exchange. The expected life of the options is based on historical experience and general option holder behavior. The Company also makes an estimate of the number of options that will be forfeited and the rate is adjusted to reflect the actual number of options that vest. Consequently, the actual share-based compensation expense may vary from the amount estimated.

vi) Revenue recognition for special contracts and projects:

The Company has projects with multiple performance obligations that generally include subscriptions for software and services. Estimates are required to determine the status of a project at each period-end. The Company's revenue recognition policy is described in Note 4(h).

TURNIUM TECHNOLOGY GROUP INC.

Notes to the Consolidated Financial Statements
for the Six Months Ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

3. Critical Accounting Estimates and Judgments (continued)

vii) Incremental borrowing rate:

The Company uses estimation in determining the incremental borrowing rate used to measure the loan liabilities. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase the asset of a similar value, with similar payment terms and security in similar economic environment.

viii) Allowance for credit losses:

The Company provides for doubtful debts by analyzing the historical default experience and current information available about a customer's credit worthiness on an account by account basis. Uncertainty relates to the actual collectability of customer balances that can vary from the Company's estimation. At March 31, 2023, the Company has an allowance for doubtful accounts of \$Nil (September 30, 2022 - \$Nil).

Significant areas of judgment include:

i) Application of the going concern assumption:

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern. As discussed in Note 1, these condensed interim consolidated financial statements have been prepared under the assumptions applicable to a going concern.

ii) Business combinations:

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. In a business combination, all identifiable assets, liabilities, and contingent liabilities acquired are recorded at their fair values. Assets are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

In determining the allocation of the purchase price in a business combination, including any acquisition related contingent consideration, estimates including market based and appraisal values are used. The contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Judgement is used in determining whether an amalgamation is to be accounted for as a merger or a purchase. The Company has accounted for the amalgamation on October 1, 2020 as a merger of the five predecessor companies under common control. Accordingly, all assets, liabilities, reserves and operating results of the predecessor companies were combined at their existing carrying amounts at the date of amalgamation and for the year ended September 30, 2020.

TURNIUM TECHNOLOGY GROUP INC.

Notes to the Consolidated Financial Statements
for the Six Months Ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

3. Critical Accounting Estimates and Judgments (continued)

iii) Revenue Recognition

With sales through third parties the Company determines whether the third party is acting as an agent or a principal under these agreements. When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the agreement between the Company and its business partners are reviewed to determine each party's respective role in the transaction. Where the Company's role in a transaction is that of principal, revenue is recognized on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenses of the third party charged as an operating cost. Where the Company's role in a transaction is that of an agent, revenue is recognized on a net basis with revenue representing the margin earned.

iv) Leases:

The Company applies judgment in determining whether the contract contains an identified asset, whether the Company has the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create economic incentive to exercise renewal options. Right-of-use ("ROU") assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The Company uses an implicit rate of interest to determine the present value of lease payments utilizing its incremental borrowing rate, as the implicit rate of interest in the respective leases is not readily determinable. The Company's incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

v) Deferred tax assets:

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company generating future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in classifying transactions and assessing probable outcomes of tax positions taken, and in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

vi) Allowance for uncollectible trade receivables:

The valuation of allowances for uncollectible trade receivables requires judgement involving estimated credit losses based on customer, industry concentrations and the Company's knowledge of the financial conditions of its customers. Uncertainty relates to the actual collectability of customer balances that can vary from management's estimates and judgment.

4. Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value, to be cash equivalents.

(b) Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss.

TURNIUM TECHNOLOGY GROUP INC.

Notes to the Consolidated Financial Statements
for the Six Months Ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

4. Summary of Significant Accounting Policies (continued)

(c) Financial Instruments

(i) Recognition and initial measurement

The Company's financial instruments consist of cash, amounts receivable, accounts payable, due to related parties, promissory notes, loans payable, lease liabilities and derivative warrant liabilities.

Amounts receivables are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) 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. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) 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. The Company does not have any financial assets classified as FVTPL except cash, or any financial assets classified as FVTOCI, but only those classified at amortized cost.

Financial assets: Subsequent measurement and gains and losses

Financial assets at amortized cost: These assets 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 the condensed interim consolidated statements of comprehensive loss. Any gain or loss on derecognition is recognized in the condensed interim consolidated statements of comprehensive loss.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at 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 any interest expense, are recognized in the condensed interim consolidated statements of comprehensive loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the condensed interim consolidated statements of comprehensive loss. Any gain or loss on derecognition is also recognized in the condensed interim consolidated statements of comprehensive loss.

The Company's financial liabilities of accounts payable, due to related parties, promissory notes, loan payable, and lease liabilities are classified as measured at amortized cost, and derivative warrant liabilities are classified as FVTPL.

TURNIUM TECHNOLOGY GROUP INC.

Notes to the Consolidated Financial Statements
for the Six Months Ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

4. Summary of Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

(iii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of 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. The Company enters into transactions whereby it transfers assets recognized in its condensed interim consolidated statements of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

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 the condensed interim consolidated statements of comprehensive loss.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(d) Impairment of Financial Assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the 12-month expected credit losses.

The Company recognizes in the condensed interim consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(e) Property and Equipment

Property and equipment consists of furniture and fixtures, leasehold improvements, and computer equipment and is recorded at cost, including all costs directly attributable to bringing the asset to working condition, and amortized annually at following rates calculated to amortize the assets over their estimated useful lives:

Computer equipment	30% declining balance
Furniture and fixtures	20% declining balance
Leasehold improvements	Over lesser of useful life and lease term

TURNIUM TECHNOLOGY GROUP INC.

Notes to the Consolidated Financial Statements
for the Six Months Ended March 31, 2023 and 2022
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4. Summary of Significant Accounting Policies (continued)

(f) Intangible Assets

Intangible assets consist of customer relationships acquired recorded at cost and amortized annually on a straight-line basis over 15 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Currently, the Company has goodwill as an intangible asset with an indefinite useful life.

(g) Business Combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognized at their fair value, except deferred tax assets or liabilities, which are recognized and measured in accordance with IAS 12, *Income Taxes*. Subsequent changes in fair values are adjusted against the cost of acquisition if they qualify as measurement year adjustments. The measurement year is the year between the date of acquisition and the date where all significant information necessary to determine the fair values is available and cannot exceed 12 months. All other subsequent changes are recognized in the condensed interim consolidated statements of comprehensive loss.

The purchase price allocation process resulting from a business combination requires management to estimate the fair value of identifiable assets acquired including intangible assets and liabilities assumed including any contingently payable purchase price obligation due over time. The Company uses valuation techniques, which are generally based on forecasted future net cash flows discounted to present value. These valuations are closely linked to the assumptions used by management on the future performance of the related assets and the discount rates applied. The determination of fair value involves making estimates relating to acquired intangibles assets, property and equipment and contingent consideration.

In certain situations, goodwill or a bargain purchase gain may result from a business combination. Goodwill is measured as the excess of the consideration transferred over the net amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognized immediately in the condensed interim consolidated statements of comprehensive loss as a bargain purchase gain. Acquisition related costs are recognized in the condensed interim consolidated statements of comprehensive loss as incurred.

(h) Revenue

The Company accounts for revenue under IFRS 15, *Revenue from Contracts with Customers*, which establishes a five-step model to account for revenue arising from contracts with customers:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price, which is the total consideration provided by the customer;
- allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- recognize revenue when the relevant criteria are met for each performance obligation.

The Company has several sources of revenue.

Revenue is earned from the grant of non-exclusive, non-transferrable licenses to service providers to use the Company's SD-WAN business platform (the "Platform"). Pursuant to the licensing agreements, the Company charges an initial start-up fee and a license fee for software license units that covers the licensing of all of the software comprised in the Platform. Revenue from license fees is generally earned over time and is recognized on a straight-line basis over the term of the contract. Revenue from initial start-up fees is recognized when the set-up process is complete and the customer has full access to the software.

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4. Summary of Significant Accounting Policies (continued)

(h) Revenue (continued)

Revenue is also earned through the sale of onsite and remote support, host/cloud services, and the resale of both hardware and software. Revenue from onsite and remote support are generally earned at a point in time and are recognized at the point in time when the support services have been completed. Certain onsite and remote support is sold on a block of hours basis and is recognized proportionately between the number of hours provided out of the pre-purchased block of hours.

Revenue from host/cloud services are generally earned over time and are recognized using the output method based on time elapsed. Revenue from the resale of hardware and software are generally earned at a point in time and is recognized when the product has been delivered to the customer. Revenue from the resale of software licenses are recognized at a point in time on a net amount basis, which is the amount billed to a customer less the amount paid to the software license provider. During the six months ended March 31, 2023, the Company recognized \$14,107 as agent revenues (2022 – \$Nil) (Note 3(iii)).

Payments received in advance are recorded as deferred revenue and brought into revenue at the beginning of each month as subscription time elapses or as services are delivered. At March 31, 2023, the Company recognized \$269,740 (September 30, 2022 - \$46,057) in deferred revenue represented by the pre-purchase of block hours for onsite and remote support not utilized by the end of the period along with the sale of hardware not delivered to the customer by the end of the period.

(i) Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators exist, then the asset's recoverable amount is estimated. The recoverable amounts of the following types of intangible assets are measured annually whether or not there is any indication that they may be impaired.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of assets other than intangible assets that have indefinite useful lives, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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4. Summary of Significant Accounting Policies (continued)

(j) Leases

For contracts entered into subsequent to October 1, 2019 at inception of the contract, the Company assesses whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the use of an identified asset. For contracts that contain a lease, 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 by any initial direct costs, and costs to dismantle and remove the underlying asset less any lease incentives. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of Assets*.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the condensed interim consolidated statements of comprehensive loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and for low value leases and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16.

(k) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as a share-based compensation expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credit to share capital, adjusted for any consideration paid.

(l) Research and Development

Expenditures on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognized in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No development costs have been capitalized to date.

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4. Summary of Significant Accounting Policies (continued)

(m) Income Taxes

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in the other comprehensive loss. Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustments to income tax payable in respect of previous years. Current income taxes are determined using tax rates and laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amounts of an asset or liability differs from its tax base, except for the taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company re-assesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(n) Loss per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, the exercise of stock options and share purchase warrants is considered to be anti-dilutive and basic and diluted loss per share are the same. As at March 31, 2023, the Company has 18,803,103 (September 30, 2022 – 15,373,304) potentially dilutive shares which were anti-dilutive.

(o) Refundable tax credits

The Government of Canada provides refundable tax credits to qualifying companies engaged in Scientific Research and Experimental Development (“SRED”) activities, as that term is defined in the Income Tax Act (Canada). The Company records 100% of its claim for such credits in profit or loss during the period in which the claim filed with the taxation authorities has been accepted and the tax credits have been received. Subsequent amendments or adjustments to such claims, if any, are recorded as they occur. The Company received an SRED refund of \$152,575 (2022 - \$Nil) during the six months ended March 31, 2023.

(p) Convertible debts

Convertible loans are separated into their liability and equity components on the condensed interim consolidated financial statements of financial position. The liability component is initially recognized at fair value, determine as the net present value of future payments of interest and principal, discounted at the market rate for similar non-convertible liabilities at the time of issue. The liability component is recognized at amortized cost, using the effective interest method, until extinguished upon conversion or maturity. If a security or instrument becomes convertible only upon the occurrence of a future event outside the control of the Company, or, is convertible from inception, but contains conversion terms that change upon the occurrence of a future event, then any contingent beneficial conversion feature is measured and recognized when the triggering event occurs and contingency has been resolved. The fair value of the equity component of the convertible loan is estimated using the residual method in which the difference between the face value of the instrument and the fair value of the debt component is allocated as the fair value of the equity component.

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4. Summary of Significant Accounting Policies (continued)

(q) Accounting for Government Grants and Disclosure of Government Assistance

The Company classifies forgivable loans, or the forgivable portion thereof, from the government as government assistance when there is a reasonable assurance that the Company will meet the terms for forgiveness on the loan. If this threshold is not met, the Company classifies forgivable loans as loan payable, measured initially at fair value in accordance with IFRS 9, *Financial Instruments*.

The Company applied for COVID-19 financial relief in Canada under the Canada Emergency Wage Subsidy ("CEWS") program. The CEWS program is a wage subsidy program launched by the Canadian federal government to qualifying employers to subsidize payroll costs during the COVID-19 pandemic. The qualified subsidy amounts received under the CEWS program are non-repayable. Government grants and assistance are recognized as a reduction in the related expense in the period in which there is reasonable assurance that the grant or assistance has become receivable and all conditions, if any, have been satisfied.

(r) Warrants

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in a private placement is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the day prior to the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as share-based payments reserve.

In accordance with IFRS, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a derivative liability and measured at fair value with changes in fair value recognized in the condensed interim consolidated statements of comprehensive loss at each period-end. The derivative liabilities will ultimately be converted into the Company's equity (common shares) when the warrants are exercised, or will be extinguished on the expiry of the outstanding warrants, and will not result in the outlay of any cash by the Company. Immediately prior to exercise, the warrants are remeasured at their estimated fair value. Upon exercise, the intrinsic value is transferred to share capital (the intrinsic value is the share price at the date the warrant is exercised less the exercise price of the warrant). Any remaining fair value is recorded through the condensed interim consolidated statements of comprehensive loss as part of the change in estimated fair value of derivative warrant liabilities.

(s) Accounting standards and amendments issued

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's condensed interim consolidated financial statements.

5. Reverse Takeover Transaction

Pursuant to an amalgamation agreement entered into on December 21, 2021 (the "Amalgamation Agreement"), effective June 16, 2022 the Company acquired 100% the issued and outstanding securities of TNSI resulting in an RTO and completed a private placement of subscription receipts (the "Transaction").

In connection with the Transaction, immediately prior to the effective date, the Company consolidated its shares on the basis of one post consolidation share for each five pre-consolidation shares. Immediately prior to completion of the Amalgamation Agreement, the Company had 2,047,155 common shares outstanding. Upon completion of the Transaction, the Company changed its name from RMR Science Technology Inc. to Turnium Technology Group Inc.

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5. Reverse Takeover Transaction (continued)

Effective April 8, 2022, in connection with the Transaction, TNSI completed a brokered private placement of 5,910,627 subscription receipts at a price of \$0.56 per subscription receipt for gross proceeds of CAD\$3,309,951. Each subscription receipt was automatically converted into one common share and one half of one common share purchase warrant. Each whole share purchase warrant is convertible at the option of the holder into one common share of the Company until April 8, 2024 at a price of \$0.75 per share.

Upon closing the Transaction, the Company issued 5,910,627 common shares in exchange for TNSI common shares issued in connection with the conversion of the subscription receipts.

Share issuance costs of \$619,061 include fees and commissions in the amount of \$220,210, agents' expenses of \$179,620, 229,649 broker warrants with a fair value of \$101,224 and legal and filing costs of \$118,007. Each broker warrant entitles the holder thereof to purchase one unit at a price of CAD\$0.56 per unit for a period of two years from the closing of the subscription receipt financing. Each unit is convertible at no additional cost into one common share and one half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at an exercise price of \$0.75 per share for a period of two years from the closing of the subscription receipt financing.

The broker warrants were valued using the Black-Scholes Option Pricing Model and the assumptions used in the pricing model were as follows: risk-free interest rate – 2.35%; expected life – 2 years; expected volatility – 103.71%; expected forfeitures – nil%; and expected dividends – \$nil.

As a result of the Transaction, the shareholders of TNSI, including the holders of the subscription receipts, gained control of the Company through the acquisition of approximately 97% of the common shares of the combined entity and the transaction has been accounted for as an RTO where TNSI is the accounting acquirer. Stock options and common share purchase warrants of TNSI were exchanged for the equivalent number of securities of the Company. Immediately prior to closing, TNSI had 66,492,926 common shares issued and outstanding after having given effect to the conversion of subscription receipts resulting in the issuance of 5,910,627 common shares and the conversion of a convertible note resulting in the issuance of 2,083,334 shares. The RTO has been accounted for as a share-based payment transaction under IFRS 2 *Shared-based payment*, on the basis that RMR Science Technology Inc. was a Capital Pool Company and did not meet the definition of a business as it had no ongoing business operation.

As TNSI is deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these condensed interim consolidated financial statements at their historical carrying values. RMR Science Technology Inc.'s results of operations have been included from June 16, 2022, the date of the RTO. For purposes of this transaction, the consideration received was the fair value of the net assets and liabilities of the Company which on June 16, 2022 was (\$159,315).

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5. Reverse Takeover Transaction (continued)

This amount was calculated as follows:

Fair value of 2,047,155 shares of RMR Science Technology Inc.	\$ 1,146,407
Total fair value of consideration paid	\$ 1,146,407
Cash	24,487
GST receivable	15,726
Prepaid expense	4,095
Accounts payable and accrued liabilities	(203,624)
Net liabilities assumed	(159,315)
Consideration paid in excess of assets acquired:	1,305,723
Other listing expense:	
Legal and professional fees	434,331
Filing fees	58,409
Total listing expense	\$ 1,798,463

6. Acquisition

On February 28, 2021, the Company entered into a share purchase agreement (the "Share Purchase Agreement") with the shareholders of Tenacious Networks Inc. ("TNET"), whereby the Company purchased 100% of the issued and outstanding common shares of TNET. In consideration, the Company issued 6,343,916 common shares of the Company to the shareholders of TNET with a fair value of \$2,700,000 and entered into a promissory note with the shareholders of TNET for a principal amount of \$300,000 (Note 12(a)). The shareholders of TNET consisted of a company controlled by the former President of TNET and a company controlled by the CEO of the Company. As TNET meets the IFRS 3, *Business Combinations*, definition of a business the acquisition was accounted for as a business combination and measured at the fair value of consideration paid of \$3,000,000. TNET is engaged in the provision of professional IT services and support, hardware sales and resell of third party services targeted at corporate clients.

In accordance with the acquisition method of accounting, the acquisition cost had been allocated on a preliminary basis to the identifiable underlying assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition. The purchase price allocation at February 28, 2021 was preliminary and the determination of the final working capital adjustment, the identification of any intangible assets and the finalization of the value of goodwill remained provisional. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identified adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition would be revised. No such information was obtained and, therefore, no revision to the acquisition cost was made.

The purchase price allocation for the acquisition of TNET is summarized as follows:

	\$
Fair value of TNET's net assets acquired:	
Cash	77,646
Amounts receivable	172,518
Other current assets	1,133
Intangible assets	611,000
Goodwill	2,582,027
Accounts payable and accrued liabilities	(37,615)
Due to related parties	(202,906)
Deferred revenue	(38,833)
Deferred tax liability	(164,970)
Total fair value of TNET's net assets acquired	3,000,000

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6. Acquisition (continued)

The resulting goodwill represents the sales and growth potential of TNET and will not be deductible for tax purposes. The Company tests for impairment annually on September 30, and between annual tests if the Company becomes aware of an event or a change in circumstances that would indicate the carrying value may be impaired. The Company completed its annual impairment test and engaged an independent third party to assist with the valuation of the TNET business, including related goodwill and intangible assets (Note 9), as of March 31, 2023, using the fair value. The valuation estimated the fair value of goodwill to be \$1,137,158 (September 30, 2022 - \$1,137,158) using an income approach with assumptions that are considered level 3 inputs and concluded that the carrying value of the TNET business exceeded its recoverable amount, resulting in a goodwill impairment of \$nil during the six months ended March 31, 2023 (2022 - \$Nil).

The fair value of the TNET business was determined primarily by discounting estimated future cash flows over five years, which were determined based on revenue and expense growth assumptions ranging from 2% to 9%, at a weighted average cost of capital (discount rate) ranging from 17.7% to 24.0%.

7. Right-of-use Assets

The Company's right-of-use assets consists of two separate lease agreements for office space. The leases have various escalation clauses. Refer to Note 10 for associated lease liabilities at the reporting date.

	Right-of-use assets \$
Cost:	
Balance, September 30, 2022	729,501
Additions	-
Balance, March 31, 2023	729,501

	Right-of-use assets \$
Accumulated amortization:	
Balance, September 30, 2022	44,867
Additions	72,951
Balance, March 31, 2023	117,818
Net book value:	
Balance, September 30, 2022	684,634
Balance, March 31, 2023	611,683

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8. Property and Equipment

	Furniture and Fixtures \$	Computer Equipment \$	Total \$
Cost:			
Balance, September 30, 2022	65,402	59,398	124,800
Additions	-	3,908	3,908
Balance, March 31, 2023	65,402	63,306	128,708
Accumulated amortization:			
Balance, September 30, 2022	23,666	19,377	43,043
Additions	4,174	6,100	10,274
Balance, March 31, 2023	27,840	25,477	53,317
Net book value:			
Balance, September 30, 2022	41,736	40,022	81,757
Balance, March 31, 2023	37,562	37,829	75,391

9. Intangible Assets

	Customer Lists \$
Cost:	
Balance, September 30, 2022	611,000
Additions (Note 6)	-
Balance, March 31, 2023	611,000
Accumulated amortization:	
Balance, September 30, 2022	340,181
Additions	20,366
Balance, March 31, 2023	360,547
Net book value:	
Balance, September 30, 2022	270,819
Balance, March 31, 2023	250,453

At March 31, 2023, the Company determined the fair value of Customer Lists to be \$250,453 (September 30, 2022 - \$270,819). As a result, the Company recognized impairment of intangible assets of \$nil (2022 - \$Nil).

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10. Lease Liabilities

The lease liability, which consists of the present value of minimum lease payments for office space, has been discounted using a 12.75% interest rate.

	\$
Balance, September 30, 2022	708,308
Additions	-
Accretion of interest	49,837
Lease payments	(100,967)
Balance, March 31, 2023	657,178

The following is a schedule of future minimum lease payments:

Fiscal year ending September 30:	\$
2023	101,400
2024	207,483
2025	211,880
2026	214,478
2027	150,672
Net minimum lease payments	885,913
Amount representing interest	(228,735)
Present value of minimum lease payments	657,178
Less: current portion	(111,023)
Long-term portion	546,155

The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

11. Loans Payable

	March 31, 2023	September 30, 2022
	\$	\$
Canada Emergency Business Account loans payable (a)	180,000	180,000
Shareholder loan payable (b)	-	-
Loans payable (c) (d)	1,850,000	1,850,000
Sub-total	2,030,000	2,030,000
Less: debt discount	(17,192)	(27,732)
Balance, net	2,012,808	2,002,268
Less current portion	1,850,000	1,850,000
Long-term portion	162,808	152,268

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11. Loans Payable (continued)

- a) The Company received Canada Emergency Business Account (“CEBA”) loans in three equal instalments for an aggregate amount of \$180,000 funded by the Government of Canada. The loans are interest-free and may be repaid any time before December 31, 2023, at which time, if unpaid, the remaining balance will convert to a 3-year term loan at an interest rate of 5% per annum. If the Company repays these loans prior to December 31, 2023, there will be loan forgiveness of 25% of the loan repaid, up to a maximum of \$60,000 if all loan instalments are repaid. Although the maximum forgivable portion of the loans of \$60,000 is not repayable if the Company repays the amount of \$120,000 by December 31, 2023, this amount will be recognized in income when the Company has reasonable assurance that the terms of early repayment of this aid will be complied with.

This liability is recognized in accordance with IFRS 9, *Financial Instruments*, as a financial liability at amortized cost. The benefit of below-market rate shall be measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received.

The Company has estimated the initial carrying value of the CEBA loans at \$137,725, using a discount rate of 12.68%, which was the estimated rate for a similar loan without the interest-free component. The total difference of \$42,275 is accreted to each CEBA loan liability of the term of the CEBA loan and offset to other income on the condensed interim consolidated statements of loss and comprehensive loss.

At March 31, 2023 the Company reported the carrying value of these loans at \$162,808 (September 30, 2022 - \$152,268) and recognized loan accretion for the six months ended March 31, 2023 of \$10,540 (2022 - \$9,472). As at March 31, 2023, the Company had not made any repayments of the CEBA loans.

- b) On May 14, 2020, the Company entered into a loan agreement with a shareholder of the Company for proceeds of \$18,250. The loan is unsecured, non-interest bearing and due on the earlier of (i) May 1, 2025 (ii) upon completion of any financing in excess of \$2,000,000 or (iii) cash on hand in excess of \$500,000. On June 27, 2022 the loan was repaid.
- c) On July 30, 2021, the Company entered into a loan agreement with two creditors (the “Lenders”) for a maximum principal amount of \$1,850,000 bearing interest at 12.75% per annum and maturing on July 30, 2024. The loans have certain financial covenants including, but not limited to, requiring the Company to maintain a minimum level of cash to fund operations and an escalating level of recurring revenue, failing which it may call its loans. Upon closing, the Company issued 1,730,797 share purchase warrants to the Lenders as additional compensation. Each share purchase warrant is exercisable at \$0.48 per warrant on or before July 30, 2027, subject to early expiry. In the event that the common shares of the Company trade on a public exchange at a 30-day volume weighted average price of \$1.25 per share, the Company may accelerate the expiry date of the warrants by giving 30 days written notice to the Lenders (Note 14(b)).

The loan was subject to an underwriting fee of \$37,000, certain prepayment fees, various financial covenants, and a general security agreement. The Company must make monthly interest payments, and was required to make a mandatory principal payment of \$850,000 on the 6-month anniversary of the closing date (January 31, 2022), which shall not be subject to prepayment fees. Proceeds of \$1,750,000 of this loan were used as part of the settlement of loans payable.

The Company incurred debt financing costs totaling \$806,684, which included \$99,843 of legal fees and \$706,841 relating to the fair value of 1,730,797 share purchase warrants. The debt financing costs are amortized over the term of the loan at the effective interest rate.

On April 8, 2022, the Lenders agreed to extend the mandatory principal payment of \$850,000 to May 31, 2023. The Company incurred fees associated with the extension in the amount of \$37,893.

As of March 31, 2023, the Company is in default of the financial covenants of the loan. As a result, the loan may be called and required to be repaid. The loan has been recorded as a current liability at face value.

TURNIUM TECHNOLOGY GROUP INC.

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11. Loans Payable (continued)

- c) On November 30, 2022, the Company renegotiated its \$1.85-million loan agreement with the Lenders. Under the terms of the amended loan agreement, the maturity date has moved from July 30, 2024, to March 31, 2023. Financial performance covenants have been replaced with a minimum cash balance on hand of \$350,000, and a commitment by the Company to complete a \$97,000 asset purchase of blocks of Internet protocol addresses, application software and hardware, and three of its data centres from a Director (former CEO) of the Company.

During the six months ended March 31, 2023, the Company recognized accretion expense of \$Nil (2022 – \$214,022) and interest expense of \$117,614 (2022 – \$117,614). As at March 31, 2023, a total of \$1,850,000 (September 30, 2022 - \$1,850,000) is outstanding for principal, net of unamortized discount of \$Nil (September 30, 2022 - \$Nil).

- d) On December 1, 2021, the Company issued a convertible promissory note in the amount of \$1,000,000. The Promissory Note bears simple interest at a rate of 1% per month, increasing by 0.10% every three months (resulting in first year interest rate of 13.8%; and second year interest rate of 18.6%), payable monthly and is due on November 30, 2024. The principal portion and any unpaid interest may be converted at the option of the holder into common shares of the Company at a price equal to the lesser of \$0.48 per share or 15% discount to the lowest equity issuance round up to and including the equity round of the qualifying transaction.

As further consideration for the Promissory Note the Company issued 500,000 share purchase warrants, each entitling the holder to acquire one common share of the Company at a price equal to the lesser of \$0.48 per share or 15% discount to the lowest equity issuance round up to and including the equity round of the qualifying transaction for a period of 36 months. Effective April 8, 2022, the Company completed the equity round of the qualifying transaction at a price of \$0.56 per share, resulting in the warrant exercise price being fixed at \$0.48 per share.

The warrants are subject to earlier accelerated exercise if the shares have traded and continue to trade on a public exchange at a 30-day volume-weighted average purchase price per share of \$1.25.

The warrant holders shall have the right to pay all or a portion of the Purchase Price (exercise price multiplied by the number of shares being exercised) by making a cashless exercise. In a cashless exercise, the portion of the Purchase Price shall be paid by reducing the number of warrant shares otherwise issuable pursuant to the notice of cash exercise by an amount equal to: exercise price to be so paid divided by the fair market value per warrant share determined by the Board of Directors of the Company as of the business day immediately preceding the date of exercise. Due to the variable number of shares that may be issued for the warrant and the conversion feature, the Company has recorded these as derivative liabilities. (Note 14(c)).

The Company allocated \$634,742 to the embedded conversion feature of the Promissory Note, \$152,338 to the fair value of the 500,000 share purchase warrants, with \$95,695 expensed as financing costs and \$55,643 capitalized as debt issuance costs (Notes 14(c), 16) and \$365,258 to the liability component of the Promissory Note.

On April 4, 2022, the Company issued 2,083,334 common shares at a price of \$0.48 for conversion of the promissory note. On conversion of the promissory note the embedded conversion feature with a carrying value of \$709,112 was extinguished, the debt discount of \$51,733 was realized resulting in a gain on conversion of \$115,814. The 500,000 share purchase warrants remain outstanding as at March 31, 2023 at a carrying value of \$1,549.

The following table summarizes accounting for the convertible promissory note during the six months ended March 31, 2023:

Convertible promissory note	Accrued Interest \$	Liability Component \$	Equity Component \$
Balance, September 30, 2022	2,467	-	-
Balance, March 31, 2023	2,467	-	-

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12. Promissory Notes

- a) On February 28, 2021, in connection with the Share Purchase Agreement (Note 6), the Company entered into a Promissory Note with a company controlled by the former President of TNET, and a company controlled by the CEO of the Company for a principal amount of \$300,000. The Promissory Note bears interest at a rate of 6% per annum with interest beginning to accrue on May 1, 2021. The Promissory Note is due on demand and is secured by a General Security Agreement dated February 28, 2021. During the six months ended March 31, 2023, the Company recognized accrued interest of \$9,000 (March 31, 2022 - \$9,000) and accrued interest in the amount of \$34,500 (September 30, 2022 - \$25,500) is included in accounts payable and accrued liabilities. On July 31, 2021 the holders of the Promissory Note entered into a standstill agreement with the Company's lenders preventing payment of the Promissory note until such time that the loan is repaid. (Note 11 (c)).
- b) On September 30, 2022, the Company entered into a Promissory Note with an arms-length individual for a principal amount of \$100,000. The Promissory Note bears interest at a rate of 1% per month and is payable in 24 equal instalments, commencing from the first month after closing. Regulatory approval of this Promissory Note is required, and has not been granted as of March 31, 2023; therefore, the Promissory Note has been recoded at face value.

Balance, September 30, 2021	300,000
Promissory note (September 30, 2022)(b)	100,000
Balance, March 31, 2023 and September 30, 2022	400,000

13. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. This would include the Company's senior management, who are considered to be key management personnel by the Company. Parties are also related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following table summarizes the compensation of the Company's key management:

	Three months Ended March 31, 2023	Three months Ended March 31, 2022	Six months Ended March 31, 2023	Six months Ended March 31, 2022
	\$	\$	\$	\$
Consulting*	185,376	198,273	277,876	458,913
Salaries and wages*	270,421	161,816	531,980	234,119
Share-based compensation	91,769	352,127	357,143	639,730

* Salaries and wages paid to key management personnel are included under general and administrative and research and development expenses on the condensed interim consolidated statement of comprehensive loss.

- a) During the six months ended March 31, 2023, the Company incurred \$Nil (2022 - \$165,000) in advisory fees and \$121,327 (2022 - \$240,713) in connectivity services to companies controlled by the previous CEO of the Company.
- b) During the six months ended March 31, 2023, the Company incurred \$162,000 (2022 - \$90,000) in salaries to the CEO of the Company.
- c) During the six months ended March 31, 2023, the Company incurred \$101,462 (2022 - \$75,413) in advisory fees to a company controlled by the former President of TNET.
- d) During the six months ended March 31, 2023, the Company incurred \$37,500 (2022 - \$62,500) in consulting fees to the previous CTO of the Company.

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13. Related Party Transactions (continued)

- e) As at March 31, 2023, the Company owed \$300,000 (September 30, 2022 - \$300,000) under a Promissory Note (Note 12(a)) to a company controlled by the former President of TNET and a company controlled by the previous CEO of the Company.
- f) During the six months ended March 31, 2023, the Company incurred \$92,500 (2022 - \$38,750) in salaries to the CMO of the Company.
- g) During the six months ended March 31, 2023, the Company incurred \$Nil (2022 - \$66,000) in consulting fees to a company controlled by the CMO of the Company.
- h) During the six months ended March 31, 2023, the Company incurred \$20,520 (2022 - \$43,500) in salaries to the previous COO of the Company.
- i) During the six months ended March 31, 2023, the Company incurred \$103,914 (2022 - \$Nil) in accounting fees to a company controlled by the previous CFO of the Company
- j) During the six months ended March 31, 2023, the Company incurred \$53,253 (2022 - \$83,333) in salaries to a former CFO of the Company
- k) During the six months ended March 31, 2023, the Company incurred \$93,706 (2022 - \$68,536) in salaries to a former CRO of the Company.
- l) During the six months ended March 31, 2023, the Company incurred \$110,000 (2022 - \$Nil) in salaries to the previous CRO of the Company.
- m) During the six months ended March 31, 2023, the Company incurred \$35,000 (2022 - \$Nil) in consulting fees to a company controlled by a director of the Company.
- n) During the six months ended March 31, 2023, the Company incurred \$Nil (2022 - \$90,000) in advisory fees to a director of the Company.
- o) During the three months ended March 31, 2023, the Company incurred \$Nil (2022 - \$115,500) in advisory fees and \$81,921 (2022 - \$120,357) in connectivity services to companies controlled by the previous CEO of the Company.
- p) During the three months ended March 31, 2023, the Company incurred \$87,000 (2022 - \$45,000) in salaries to the CEO of the Company.
- q) During the three months ended March 31, 2023, the Company incurred \$101,462 (2022 - \$37,773) in advisory fees to a company controlled by the former President of TNET.
- r) During the three months ended March 31, 2023, the Company incurred \$58,271 (2022 - \$38,750) in salaries to the CMO of the Company.
- s) During the three months ended March 31, 2023, the Company incurred \$Nil (2022 - \$21,750) in salaries to the previous COO of the Company.
- t) During the three months ended March 31, 2023, the Company incurred \$68,914 (2022 - \$Nil) in accounting fees to a company controlled by the previous CFO of the Company
- u) During the three months ended March 31, 2023, the Company incurred \$14,487 (2022 - \$50,000) in salaries to a former CFO of the Company
- v) During the three months ended March 31, 2023, the Company incurred \$47,330 (2022 - \$51,316) in salaries to a former CRO of the Company.
- w) During the three months ended March 31, 2023, the Company incurred \$63,333 (2022 - \$Nil) in salaries to the previous CRO of the Company.
- x) During the three months ended March 31, 2023, the Company incurred \$15,000 (2022 - \$Nil) in consulting fees to a company controlled by a director of the Company.
- y) During the three months ended March 31, 2023, the Company incurred \$Nil (2022 - \$45,000) in advisory fees to a director of the Company.

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13. Related Party Transactions (continued)

As at March 31, 2023, \$349,170 (September 30, 2022 – \$85,571) is payable to related parties and included in accounts payable and accrued liabilities. Prior year related party amounts were for advances; these amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

- a) As at March 31, 2023, the Company owed \$224,000 (September 30, 2022 - \$57,750) to the CEO of the Company. Amounts are unsecured, non-interest bearing and due on demand.
- b) As at March 31, 2023, the Company owed \$Nil (September 30, 2022 - \$171) to the previous COO of the Company. Amounts are unsecured, non-interest bearing and due on demand.
- c) As at March 31, 2023, the Company owed \$19,527 (September 30, 2022 - \$3,730) to companies controlled by previous CEO of the Company. Amounts are unsecured, non-interest bearing and due on demand.
- d) As at March 31, 2023, the Company owed \$Nil (September 30, 2022- \$12,500) to the previous CTO of the Company. Amounts are unsecured, non-interest bearing and due on demand.
- e) As at March 31, 2023, the Company owed \$48,393 (September 30, 2022 - \$11,720) to a company controlled by the previous President of TNET. Amounts are unsecured, non-interest bearing and due on demand.
- f) As at March 31, 2023, the Company owed \$5,000 (September 30, 2022 - \$Nil) to the CMO of the Company. Amounts are unsecured, non-interest bearing and due on demand.
- g) As at March 31, 2023, the Company owed \$21,000 (September 30, 2022 - \$Nil) to a company controlled by the previous CFO of the Company. Amounts are unsecured, non-interest bearing and due on demand.
- h) As at March 31, 2023, the Company owed \$31,250 (September 30, 2022 - \$Nil) to a company controlled by a director of the Company. Amounts are unsecured, non-interest bearing and due on demand.

14. Derivative warrant liabilities

- a) On May 1, 2021, the Company issued 3,500,000 common share purchase warrants exercisable at a price equal to the lesser of \$0.25 per share or a discount of 16.67% from an IPO or RTO/QT transaction financing price, or the RTO/QT vend-in price. The warrants expire on the earlier of September 14, 2028 and five years following the listing of the Company should the Company complete an IPO, or five years following the closing date should a successor company acquire the Company by way of a reverse takeover or qualifying transaction (“RTO/QT”). If the Company completes an IPO or RTO/QT transaction, there will be variability in the amount of proceeds receivable upon the exercise of the warrants. At initial recognition on May 1, 2021, the Company recorded a derivative warrant liability of \$1,406,469 based on the estimated fair value of the warrants. On February 14, 2022, the Company increased the value of the derivative warrant liability to \$1,517,593 and realized a loss on revaluation of \$24,202. Effective February 14, 2022, the price of the warrants was fixed at \$0.25 per share pursuant to the terms of a replacement warrant certificate, based on the RTO/QT transaction price being determined at \$0.56 per share. The value of the derivative warrant liability of \$1,517,593 was reallocated from derivative warrant liability to warrant reserve.
- b) On July 30, 2021, the Company issued 1,730,797 share purchase warrants as part of a debt financing cost relating to a loan agreement (Note 11(c)). The warrants are exercisable at \$0.48 per warrant and expire on July 30, 2027, subject to earlier accelerated exercise if the shares have traded and continue to trade on a public exchange at a 30-day volume-weighted average purchase price per share of \$1.25. The warrant holders shall have the right to pay all or a portion of the Purchase Price (exercise price multiplied by the number of shares being exercised) by making a cashless exercise. In a cashless exercise, the portion of the Purchase Price shall be paid by reducing the number of warrant shares otherwise issuable pursuant to the notice of cash exercise by an amount equal to: Exercise price to be so paid divided by the fair market value per warrant share determined by the Board of Directors of the Company as of the business day immediately preceding the date of exercise. As a result of the cashless exercise, there is a variable number of shares to be issued upon the exercise of the warrants.

TURNIUM TECHNOLOGY GROUP INC.

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14. Derivative warrant liabilities

- b) At initial recognition on July 30, 2021, the Company recorded a derivative warrant liability of \$706,841 based on the estimated fair value of the warrants.

As at March 31, 2023, the Company revalued the derivative warrants to an estimated fair value of \$47,257 (September 30, 2022 - \$298,001). The Company recorded a decrease in the estimated fair value of the derivative warrant liability of \$250,744 for the six months ended March 31, 2023 (2022 - \$17,065).

- c) On December 1, 2021, the Company issued a three-year convertible note with a principal amount of \$1,000,000 (Note 11(d)). The note was convertible into common shares of the Company at the option of the holder at a price equal to the lesser of \$0.48 per common share and a 15% reduction to the QT transaction price.

In connection with the note, the Company issued 500,000 share purchase warrants. The warrants are exercisable at \$0.48 per warrant or a discount of 15% from an QT transaction financing price and expire on November 30, 2024. The warrant holder may elect to reduce the number of warrants in order to affect the cashless exercise of the warrants based on the fair market value of the Company's common shares.

As a result of the conversion price and the warrant exercise price being variable and also due to the cashless exercise feature of the warrants, the number of shares that may be issued is not fixed and therefore both the conversion feature of the note and the warrants are classified as a derivative liability. At the time of issue, the Company recorded derivative liabilities of \$634,742 for the conversion feature (Note 11 (d)) and \$152,338 for the warrants.

On April 4, 2022 the promissory note was converted into common shares and the embedded conversion feature was extinguished. For the year ended September 30, 2022, the Company revalued the derivative liabilities and reported a loss in the fair value of the conversion feature to April 4, 2022 in the amount of \$74,370. As at March 31, 2023, the Company revalued the derivative warrants to an estimated fair value of \$1,549 and a gain in fair value of the warrants in the amount of \$39,295 for the six months ended March 31, 2023 (2022 - \$7,685).

- d) The following assumptions were used to estimate the fair value of the derivative warrant liabilities during the period ended March 31, 2023 and year ended September 30, 2022.

	2023	2022
Annualized volatility	91% - 111%	110–116%
Risk-free interest rate	2.92% - 3.79%	1.10–3.27
Life of warrants in years	1.67- 4.21	4.96–5.83
Dividend rate	–	–
Market price	\$0.06	\$0.480-\$0.560
Fair value per warrant	\$0.003 - \$0.03	\$0.31–0.38

	July 30, 2021 Warrants	
	# of warrants	\$
Balance, September 30, 2022	1,730,797	298,001
Fair value change on derivative warrant liability	-	(250,744)
Balance, March 31, 2023	-	47,257

	December 1, 2021 Warrants	
	# of warrants	\$
Balance, September 30, 2022	500,000	40,844
Fair value change on derivative warrant liability	-	(39,295)
Balance, March 31, 2023	-	1,549

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15. Share Capital

a) Authorized:

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

b) Issued Share Capital:

As at March 31, 2023 there were 68,865,009 common shares issued and outstanding (September 30, 2022 – 68,865,009).

c) No shares were issued during the six months ended March 31, 2023.

Shares Issued during the year ended September 30, 2022:

- i. 805,731 shares were issued pursuant to the net exercise of employee stock options for gross proceeds of \$130,148.
- ii. 324,928 shares were issued to settle debts outstanding of \$181,957 to third parties. There was no gain or loss recorded on the settlement.
- iii. On April 4, 2022 2,083,334 common shares were issued at a price of \$0.48 per share on conversion of a \$1,000,000 convertible promissory note (Note 11(d)).
- iv. Concurrently with the RTO, on June 16, 2022 5,910,627 common shares were issued upon conversion of subscription receipts. Each subscription receipt was automatically converted upon completion of the Company's RTO into one common share and one half of one common share purchase warrant, each whole warrant entitling the holder to acquire one common share of the Company. The proceeds of the private placement were \$3,309,951 and were allocated to share capital (Notes 5, 15).
- v. On June 16, 2022 the Company was deemed to have issued 2,047,155 common shares at a fair value of \$1,146,407 for the issued and outstanding shares immediately prior to the RTO (Note 5).

d) Escrow Shares:

Pursuant to the RTO, 48,393,159 common shares are subject to escrow conditions:

- i. 4,761,100 common shares were released upon closing the RTO and the remainder of 42,849,901 will be released in six equal instalments every six months thereafter.
- ii. 195,540 common shares were released upon closing the RTO and the remainder of 782,125 will be released in three equal instalments every six months thereafter.

16. Share Purchase Warrants

Under the terms of the amalgamation, all prior 3,500,000 outstanding warrants exercisable into shares of MNI ("MNI Warrants") were converted into 1,750,000 warrants to purchase Amalco common shares on a 0.5 to one basis with the same terms and conditions of the outstanding MNI Warrants except with an exercise price of \$0.30. In addition, all prior 2,261,617 outstanding warrants exercisable into shares of TTGI were cancelled for no consideration.

On May 1, 2021, the Company amended the terms of the warrants to increase the number of warrants outstanding from 1,750,000 to 3,500,000 for a period which is the greater of: (i) five years following the listing of the Company's shares; and (ii) September 14, 2028. The exercise price is amended from \$0.15 per share to the lesser of: (i) \$0.25 per share; and (ii) a discount of 16.67% from the IPO or RTO/QT financing price, or the RTO/QT vend-in price. The amended warrants are fully vested. The modification of the warrants was valued using the Black-Scholes option pricing model and resulted in \$1,406,469 being recognized as consulting expenses. Weighted average assumptions used in calculating the fair value of the modification of warrants on May 1, 2021 are as follows:

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16. Share Purchase Warrants (continued)

Risk-free rate	1.35%
Dividend yield	—
Volatility*	129%
Expected forfeitures	—
Weighted average expected life of the options (year)	7.38

*As the Company was not publicly traded at the time of modification, volatility was estimated using publicly traded comparable companies.

On July 30, 2021, the Company issued 1,730,797 share purchase warrants in relation to the issuance of a loan. The fair value was determined to be \$706,841 using the Black-Scholes option pricing model and was recognized as debt financing costs, which will be amortized over the life of the related loan payable (Note 11(c)). Weighted average assumptions used in calculating the fair value of the warrants on July 30, 2021 are as follows:

Risk-free rate	1.10%
Dividend yield	—
Volatility*	116%
Expected forfeitures	—
Weighted average expected life of the options (year)	6.00

*As the Company was not publicly traded at the time of modification, volatility was estimated using publicly traded comparable companies.

On December 1, 2021, the Company issued 500,000 warrants to an individual in connection with a promissory note (Note 14 (c)). These warrants have an exercise price of \$0.48 per warrant and an expiry date of November 30, 2024. A fair value of \$40,844 was assigned to these warrants, calculated using a share price of \$0.48, remaining life of 2.17 years, volatility of 103.56%, dividend rate of 0% and a risk-free rate of 3.69%

On April 6, 2022, the Company issued 344,475 warrants to brokers as a part of a financing concurrent with the RTO. These warrants have an exercise price of \$0.56 and an expiry date of April 8, 2024. A value of \$70,405 was assigned to these warrants, calculated using a share price of \$0.56, remaining life of 1.81 years, volatility of 103.71%, dividend rate of 0% and a risk-free rate of 2.35%

On June 16, 2022, the Company issued 2,955,314 warrants as a part of the RTO. These warrants have an exercise price of \$0.75 per warrant and an expiry date of April 8, 2024. A fair value of \$Nil was assigned to these warrants, calculated using a share price of \$0.56, remaining life of 2.01 years, volatility of 113.71%, dividend rate of 0% and a risk-free rate of 3.27%

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2021	7,161,337	\$0.43
Issued:		
Share purchase warrants, convertible debt	500,000	\$0.48
June 16, 2022: issuance of subscription receipt financing	2,955,314	\$0.75
June 16, 2022: issuance of broker warrants	344,475	\$0.56
Balance, September 30, 2022	10,961,125	\$0.524
Expired/Cancelled:	(5,230,328)	\$0.720
Balance, March 31, 2023	5,730,797	\$0.340
Exercisable, March 31, 2023	5,730,797	\$0.340

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16. Share Purchase Warrants (continued)

The following table summarizes information about warrants outstanding and exercisable at March 31, 2023:

Warrants Outstanding	Exercise Price \$	Expiry Date
500,000	0.48	November 30, 2024
1,730,797	0.48	⁽²⁾ July 30, 2027
3,500,000	0.25	⁽¹⁾ September 14, 2028
<u>5,730,797</u>		

⁽¹⁾On February 14, 2022, the exercise price of the warrants became fixed and the warrant value of \$1,517,593 was reallocated from derivative warrant liability to warrant reserve. (Note 14 (a)). Expiry date is the earlier of (i) September 22, 2028; and (ii) five years following the listing of the Company should the Company complete an IPO, or five years following the closing date should a successor company acquire the Company by way of a reverse takeover or qualifying transaction ("RTO/QT").

⁽²⁾ Expiry date is the earlier of (i) June 16, 2027; and (ii) a date the Company elects on 30 days notice, if the shares are listed on a public exchange at a 30-day volume weighted average price of \$1.25.

17. Stock Options

Options to purchase common shares may be granted to directors, consultants, officers and employees of the Company and its subsidiary for terms up to 10 years at a price at least equal to the market price prevailing on the date of the grant.

On November 26, 2021, the Company granted 8,601,069 options to employees and consultants. These options have an exercise price of \$0.48 per option and an expiry date of November 26, 2026, and vest over three years. A value of \$3,513,517 was assigned to these options, calculated using a share price of \$0.48, remaining life of five years, volatility of 127.45%, dividend rate of 0% and a risk-free rate of 1.37%

On June 16, 2022, the Company granted 204,000 options to consultants. These options have an exercise price of \$0.56 per option and an expiry date of June 16, 2027, and vest over three years. A value of \$53,909 was assigned to these options, calculated using a share price of \$0.48, remaining life of five years, volatility of 125.85%, dividend rate of 0% and a risk-free rate of 3.30%

On July 25, 2022, the Company issued 1,150,000 options to directors and consultants. These options have an exercise price of \$0.56 per option and an expiry date of July 25, 2027. A value of \$301,490 was assigned to these options, calculated using a share price of \$0.56, remaining life of five years, volatility of 124.67%, dividend rate of 0% and a risk-free rate of 2.85%

The continuity of stock options for the six months ended March 31, 2023 is as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, September 30, 2021	4,257,068	0.16
Granted	9,955,069	0.49
Expired	(124,368)	0.15
Forfeited	(2,140,272)	0.31
Net exercise of options ⁽¹⁾	(805,731)	0.23
Balance, September 30, 2022	11,141,766	0.42
Cancelled	(4,516,326)	0.48
Balance, March 31, 2023	6,625,440	0.33
Exercisable, March 31, 2023	3,971,510	0.26

⁽¹⁾805,731 common shares were issued on the net exercise of options.

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17. Stock Options (continued)

The following table summarizes information about stock options outstanding as at March 31, 2023:

Exercise Price \$	Expiry Date	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Contracted Life (Years)
0.10	August 5, 2026	1,467,391	1,467,391	3.35
0.15	August 5, 2026	600,000	600,000	3.35
0.48	November 26, 2026*	3,204,049	1,333,805	3.66
0.56	June 16, 2027*	204,000	186,994	4.21
0.28	July 26, 2027*	1,150,000	383,320	4.32
		6,625,440	3,971,510	3.69

Share-based compensation expense is determined using the Black-Scholes option pricing model. During six months ended March 31, 2023, the Company recognized share-based compensation expense of \$525,198 (2022 - \$1,180,716). The Company recognizes compensation expense using the graded vesting method over the requisite service period for each separately vesting tranche of the award.

18. Capital Management

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

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

The Company is subject to externally imposed financial covenants and certain restrictions with a loan agreement dated July 30, 2021 (Note 11(c)). As of March 31, 2023, the Company is in default of the financial covenants of the loan with the Lenders (Note 11(c)). The Company's overall strategy with respect to capital risk management remains unchanged from the year ended September 30, 2022.

19. Commitments and Contingencies

The Company had no significant commitments or contractual obligations with any parties respecting executive compensation, consulting arrangements, or other matters. Management services provided are on a month-to-month basis. Refer to Note 10 for minimum lease payments.

The Company is also contractually committed to a schedule of loan and interest repayments and requirements under its loans and promissory notes outstanding. Refer to Notes 10 and 11 for minimum interest and loan payments.

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20. Financial Instruments and Risk Management

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

(a) Fair Values

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Financial assets and liabilities measured at fair value on a recurring basis are presented on the Company's condensed interim consolidated statement of financial position as of March 31, 2023 as follows:

Financial Assets	Balance as at March 31, 2023 \$	Quoted Prices	Significant	Significant
		in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash	377,961	377,961	-	-
Total	377,961	377,961	-	-

Financial Liabilities	Balance as at March 31, 2023 \$	Quoted Prices	Significant	Significant
		in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Derivative warrant liabilities (Note 14)*	48,806	-	-	48,806
Total	48,806	-	-	48,806

*The change in fair value of the Company's derivative warrant liabilities (classified as Level 3) is disclosed in Note 14. The liabilities are remeasured at year-end using the Black-Scholes option-pricing model.

There were no transfers into or out of Level 2 or Level 3 during the year.

The carrying value of the Company's financial assets and liabilities, except for cash (classified as FVTPL), are classified as amortized cost as at March 31, 2023. The fair values of financial instruments, which include cash, amounts receivable, accounts payable, due to related parties, promissory notes and loans payable, and lease liabilities approximate their carrying values due to the relatively short-term maturity of these instruments.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures.

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20. Financial Instruments and Risk Management (continued)

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's exposure to credit risk is in its cash and receivables. Cash is held with major banks in Canada and the United States, which are high credit quality financial institutions as determined by rating agencies. The carrying amount of financial assets represents the maximum credit exposure.

Amounts Receivable

Amounts receivable consists of trade receivable of \$350,633 (September 30, 2022 - \$525,196). To reduce the credit risk of amounts receivable, the Company regularly reviews the collectability of the amounts receivable to ensure there is no indication that these amounts will not be fully recoverable. As at March 31, 2023, the Company recognized a provision for bad debts of \$nil (September 30, 2022 - \$ nil) in accordance with IFRS 9, *Financial Instruments*. During the six months ended March 31, 2023, the Company recognized bad debts of \$nil (2022 - \$nil), which are included under general and administrative expenses on the condensed interim consolidated statements of comprehensive loss.

(c) Currency Risk

The Company's functional currency is the Canadian dollar. Currency risk is the risk that the fair value of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company's head office and operating expenses are mainly denominated in Canadian dollars. Some of the Company's revenue is denominated in US dollars. If the US dollar depreciates compared to the Canadian dollar revenue would decrease in Canadian dollars. The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in US dollars:

	March 31, 2023	September 30, 2022
Balance in US dollars:	\$	\$
Cash	46,995	128,365
Amounts receivable	138,363	123,828
Accounts payable	(21,674)	(21,381)
Net exposure	163,684	230,812
Balance in Canadian dollars:	212,105	291,204

A 10% change in the US dollar to the Canadian dollar exchange rate would impact the Company's net loss by approximately \$21,211 for the six months ended March 31, 2023 (September 30, 2022 - \$29,120).

(d) Interest Rate Risk

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

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20. Financial Instruments and Risk Management (continued)

(e) Liquidity and Funding Risk

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

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

As at March 31, 2023	Carrying amount \$	Contractual cash flows \$	1 year or less \$	1-5 years \$
Accounts payable and accrued liabilities	2,001,615	2,001,615	2,001,615	-
Due to related parties	115,170	115,170	115,170	-
Promissory notes	400,000	400,000	400,000	-
Loans payable	2,012,808	2,030,000	2,030,000	-
Lease payments (Note 10)	657,178	885,913	204,026	681,887
	5,186,771	5,432,698	4,750,811	681,887

As at March 31, 2023, the Company had cash of \$377,961 (September 30, 2022 - \$608,969) to settle current liabilities of \$4,747,548 (September 30, 2022 - \$3,884,578) and to fund ongoing operations. As noted in Note 1, there are factors which indicate the existence of a material uncertainty that may raise significant doubt about the Company's ability to continue as a going concern.

21. Expenses by Nature

Expenses for the six months ended March 31, 2023 were comprised as follows:

	General and administrative \$	Research and development \$	Sales and marketing \$
Personnel	812,835	614,251	480,278
Consulting	11,250	37,500	162,051
Office expense	97,827	33,972	29,270
Professional fees	575,077		
Tradeshows and travel	4,183	2,917	0
Marketing and communications	51,588	3,713	137,052
Totals	1,552,760	692,353	808,651

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21. Expenses by Nature (continued)

Expenses for the six months ended March 31, 2022 were comprised as follows:

	General and administrative \$	Research and development \$	Sales and marketing \$
Personnel	631,677	298,972	345,818
Consulting	420,748	117,094	215,744
Office expense	173,951	43,780	48,530
Professional fees	218,147	–	30,734
Tradeshows and travel	17,007	25,585	123,063
Marketing and communications	1,591	-	43,483
Totals	1,463,121	485,431	807,372

22. Interest and Accretion Expense

Interest expenses incurred for the six months ended March 31, 2023 and 2022 are as follows:

	March 31, 2023	March 31, 2022
Interest		
Lease obligations (Note 10)	\$ 49,837	\$ 1,108
Loan payable (Note 11(c))	117,614	117,614
Loan payable (Note 11(d))	-	35,465
Promissory note (Note 12)	9,000	9,000
Penalties	7,340	-
Accretion		
Accretion of CEBA loan payable (Note 11(a))	10,540	9,472
Accretion of loan payable (Note 11(c))	31,705	222,966
Accretion of loan payable (Note 10(d))	-	59,794
	\$ 226,036	\$ 455,419

23. Supplemental Cash Flow Information

Share-based compensation relating to granting of options	525,198	1,180,716
Interest paid	176,451	162,080

24. Segmented Information

Operating segments are components of an entity that engage in business activities from which they earn revenues and incur expenses (including revenues and expenses related to transactions with the other component(s)), the operations of which can be clearly distinguished and for which the operating results are regularly reviewed by a chief operating decision-maker to make resource allocation decisions and to assess performance.

The Company's operations consist of two operating and reportable segments, being Tenacious Networks Inc., and Turnium Network Solutions Inc.

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24. Segmented Information (continued)

	Tenacious Networks Inc. Six months Ended March 31, 2023	Turnium Network Solutions Inc. Six months Ended March 31, 2023	Corporate, Six months Ended March 31, 2023	Total, Six months Ended March 31, 2023
	\$	\$	\$	\$
Revenue	860,029	1,618,640	-	2,478,669
Cost of good sold	(618,956)	(46,773)	-	(665,729)
Gross profit	241,073	1,571,867	-	1,812,940
Operating Expenses	184,935	3,349,034	148,583	3,682,552
Gain(Loss) before other income	56,138	(1,777,167)	(148,583)	(1,869,612)
Other income (loss)	-	268,817	-	268,817
Loss before income taxes	56,138	(1,508,350)	(148,583)	(1,600,795)
Deferred income tax recovery	-	-	-	-
Net loss and comprehensive loss for the period	56,138	(1,508,350)	(148,583)	(1,600,795)
Total Assets	164,012	2,648,575	147,192	2,959,779
Total Liabilities	233,898	5,021,129	335,071	5,590,097

The Company's net assets are geographically located in Canada.

25. Subsequent Events

On April 20, 2023, the Company's board of directors approved the grant of 1.95 million stock options to directors, officers, employees and consultants. The options have an exercise price of 15 cents, an expiry date of 5 years, and shall vest monthly over a period of 12 months.

On May 17, 2023, the Company closed the first tranche of its previously announced non-brokered private placement of unsecured convertible notes for aggregate gross proceeds of up to \$1-million. The first tranche closing of the offering comprised the issuance of unsecured convertible notes in the aggregate principal amount of \$276,500. The notes issued in connection with the first tranche closing will mature on May 16, 2026.

On May 18, 2023, the company entered into a fourth amending agreement with affiliates of FirePower Capital to extend the maturity date of the Company's FirePower term loan from March 31, 2023, to July 31, 2023. Under the terms of the agreement, the parties have also agreed to adjust certain debt covenants to better meet the near-term capital requirements of the company. The term loan will continue to bear interest at a rate of 12.75 per cent per annum, payable monthly until its maturity on July 31, 2023.

On May 25, 2023, the Company entered into a debt settlement agreement with a consultant of the Company to settle \$32,125.51 of debt in connection with services provided by the consultant dated May 11, 2023.