Consolidated financial statements
March 31, 2022 and 2021

Swarmio Media Holdings Inc.

(Expressed in Canadian Dollars)

Contents

CLEARHOUSE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Swarmio Media Holdings Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Swarmio Media Holdings Inc. (the Company), which comprise the consolidated statements of financial position as at March 31, 2022 and 2021, and the consolidated statements of comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

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

Material Uncertainty Relating to Going Concern
We draw your attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a comprehensive loss of $6,582,931 during the year ended March 31, 2022. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon
Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
July 29, 2022

Swarmio Media Holdings Inc.
Consolidated Statements of Financial Position

(Expressed in Canadian dollars)		**As at March 31, 2022**		As at March 31, 2021
Assets				
Current assets				
Cash	**$**	**1,628,242**	$	2,433,970
Accounts receivable (Note 6)		**7,244**		24,756
Investment tax credit receivable		**859,394**		558,001
Sales tax receivable		**270,811**		130,758
Prepaid expenses		**64,592**		-
Total current assets		**2,830,283**		3,147,485
Non-current assets				
Right-of-use assets (Note 5)		**13,041**		28,691
Equipment (Note 7)		**17,184**		17,147
Intangible assets		**207,934**		-
Total non-current assets		**238,159**		45,838
Total assets	**$**	**3,068,442**	$	3,193,323
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 8)	**$**	**1,097,780**	$	1,338,973
Derivative financial liabilities (Note 11)		**-**		553,771
Lease financial liabilities (Note 5)		**17,115**		15,858
Preferred share liability (Note 12)		**-**		7,514,446
Loans and borrowings (Note 11)		**678,700**		5,981,318
Total current liabilities		**1,793,595**		15,404,366
Non-current liabilities				
Lease liability (Note 5)		**-**		17,404
Loans and borrowings (Note 11)		**1,283,599**		976,686
Total non-current liabilities		**1,283,599**		994,090
Total liabilities		**3,077,194**		16,398,456
Shareholders' deficiency				
Share capital (Note 13)		**19,237,563**		1,239,078
Shares to be issued		**1,400,000**		-
Contributed surplus		**2,079,026**		1,391,111
Warrants (Note 13)		**366,551**		157,761
Equity component of convertible loans (Note 13)		**-**		515,878
Deficit		**(23,091,892)**		(16,508,961)
Total shareholders' deficiency		**(8,752)**		(13,205,133)
Total liabilities and shareholders' deficiency	**$**	**3,068,442**	$	3,193,323

Going concern (Note 2)
Subsequent events (Note 20)

On behalf of the Board

(signed - Vijai Karthigesu) Director *(signed - Sorin Stoian)* Director

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

Swarmio Media Holdings Inc.
Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)		Year ended **March 31, 2022**		March 31, 2021
Revenue	**$**	**596,225**	$	4,085
Operating expenses (Note 14)		**(8,171,036)**		(2,131,668)
Loss before undernoted items		**(7,574,811)**		(2,127,583)
Amortization of equipment (Note 7)		**(1,761)**		(13,367)
Impairment of equipment (Note 7)		**-**		(68,576)
Amortization of right-of-use asset (Note 5)		**(15,650)**		(33,592)
Amortization of deferred gain (Note 11)		**249,102**		119,700
Amortization of deferred loss (Note 11)		**(114,660)**		(232,086)
Change in fair value of preferred share liability (Note 12)		**7,260,163**		(1,743,566)
Gain on extinguishment (Note 11)		**385,208**		-
Other income (Note 11)		**-**		203,543
Change in fair value of derivative financial liabilities (Note 12)		**323,500**		272,853
Change in fair value of warrants (Note 12)		**(25,128)**		29,403
Interest and accretion expense		**(1,352,549)**		(1,091,222)
Transactional costs (note 9)		**(5,716,345)**		-
Loss before income taxes		**(6,582,931)**		(4,684,493)
Income taxes (Note 10)		**-**		-
Net loss and comprehensive loss	**$**	**(6,582,931)**	$	(4,684,493)
Loss per share (Note 15)				
-Basic	$	(0.14)	$	(0.34)
-Diluted		(0.14)		(0.34)
Weighted average number of common shares outstanding (Note 15)				
-Basic		48,414,113		13,732,404
-Diluted		48,414,113		13,732,404

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

Swarmio Media Holdings Inc.
Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian dollars)	Share Capital	Contributed Surplus	Shares to be issued	Warrants	Equity component of convertible loans	Deficit	Total
Balance at March 31, 2020	$ 1,135,972	$ 1,015,355	$ -	$ 81,360	$ 157,481	$ (11,824,468)	$ (9,434,300)
Net loss for the period	-	-	-	-	-	(4,684,493)	(4,684,493)
Share based payments (Note 19)	-	420,311	-	-	-	-	420,311
Warrants issued (Note 13)	-	-	-	76,401	-	-	76,401
Shares issued for services (Note 19)	58,516	-	-	-	-	-	58,516
Stock options exercised (Note 19)	44,590	(44,555)	-	-	-	-	35
Conversion features on convertible loans issued (Note 11)	-	-	-	-	358,397	-	358,397
Balance at March 31, 2021	$ 1,239,078	$ 1,391,111	$ -	$ 157,761	$ 515,878	$ (16,508,961)	$ (13,205,133)
Net loss for the period	-	-	-	-	-	(6,582,931)	(6,582,931)
Share based payments (Note 19)	-	751,565	1,400,000	-	-	-	2,151,565
Conversion of preferred shares (Note 9 and 11)	362,179	-	-	-	(5,011)	-	357,168
Stock warrants exercised (Note 13)	360,178	-	-	(276,914)	-	-	83,264
Stock options exercised (Note 19)	63,700	(63,650)	-	-	-	-	50
Common shares issued for conversion of loans, warrants and derivative financial liabilities	2,486,307	-	-	-	(510,867)	-	1,975,440
Common shares issued for conversion of Bridge loan (Note 11)	2,970,656	-	-	-	-	-	2,970,656
Elimination of Swarmio Inc.'s common shares	(7,121,919)	-	-	(157,761)	-	-	(7,279,680)
Replacement shares issued to Swarmio Inc's shareholders	7,121,919	-	-	157,761	-	-	7,279,680
Common shares deemed issued in connection with RTO (Note 9)	5,124,000	-	-	210,537	-	-	5,334,537
Common shares issued in concurrent financing in connection with RTO (Note 9)	6,266,500	-	-	-	-	-	6,266,500
Finders' fee paid in common shares	1,429,328	-	-	-	-	-	1,429,328
Common shares issued for advisory fees	700,000	-	-	-	-	-	700,000
Cash share issuance costs	(45,600)	-	-	-	-	-	(45,600)
Share issuance costs (Note 13)	(1,718,763)	-	-	275,167	-	-	(1,443,596)
Balance, March 31, 2022	**$ 19,237,563**	**$ 2,079,026**	**$ 1,400,000**	**$ 366,551**	**$ -**	**$ (23,091,892)**	**$ (8,752)**

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

Swarmio Media Holdings Inc.
Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)	Year ended March 31, 2022	March 31, 2021
Operating		
Net loss	$ **(6,582,931)**	$ (4,684,493)
Items not affecting cash		
Amortization and impairment of equipment	**1,761**	81,943
Amortization of right-of-use asset	**15,650**	33,592
Amortization of deferred gain	**(249,102)**	(119,700)
Amortization of deferred loss	**114,660**	232,086
Other income	**-**	(180,252)
Non-cash interest expense	**930,376**	1,014,519
Change in fair value of preferred share liability	**(7,260,163)**	1,743,566
Gain on extinguishment	**(385,208)**	-
Change in fair value of derivative financial liabilities	**(323,500)**	(272,853)
Change in fair value of warrant financial liabilities	**25,128**	(29,403)
Share based payments	**2,151,565**	420,311
Non-cash transitional costs	**5,518,486**	-
Change in non-cash working capital items		
Accounts receivable	**17,512**	(24,755)
Investment tax credit receivable	**(301,393)**	763,623
Sales tax receivable	**(140,053)**	14,727
Prepaid expenses	**(64,592)**	7,758
Accounts payable and accrued liabilities	**(234,611)**	(501,863)
Net cash used in operating activities	**(6,766,415)**	(1,501,194)
Financing		
Proceeds from loans and borrowings issued	**833,125**	5,022,496
Lease payments	**(22,795)**	(47,066)
Repayment of loans and borrowings	**(1,554,547)**	(1,426,840)
Cash acquired in reverse takeover	**6,376,906**	-
Cash received from legal parent pre-reverse takeover	**500,000**	-
Proceeds from common shares issued	**-**	35
Proceeds from warrants issued	**83,329**	-
Proceeds from government grant	**-**	339,124
Share issuance costs	**(45,600)**	(27,600)
Net cash from financing activities	**6,170,418**	3,860,149
Investing		
Purchase of equipment	**(1,797)**	(8,607)
Additions to intangible assets	**(207,934)**	-
Net cash from investing activities	**(209,731)**	(8,607)
(Decrease) increase in cash	**(805,728)**	2,350,346
Cash, beginning of year	**2,433,970**	83,624
Cash, end of year	$ **1,628,242**	$ 2,433,970

Supplemental cash flow information

Cash paid during the year for interest	$ **257,738**	$ 83,201

The accompanying notes are an integral part of these Consolidated Financial Statements.

1. Nature of operations

Swarmio Media Holdings Inc. (formerly 1283332 B.C. LTD) (the "Company" or "SMHI") was incorporated under the Business Corporations Act of British Columbia on January 11, 2021. The head office of the Company is located at 1430 – 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6 and records office of the Company is located at 321 Water Street Suite 501 Vancouver, BC V6B 1B8. The Company was formed for the primary purpose of completing a qualifying transaction (Note 9) through a business combination and listing its common shares on the Canadian Securities Exchange ("CSE"). On November 22, 2021, the Company's common shares became listed on the CSE under the trading symbol "SWRM".

Swarmio Inc. ("Swarmio") was originally incorporated under the name UBIQUE Networks Inc. under the Canada Business Corporations Act on September 25, 2014. Swarmio operates as an internet gaming software developer. Swarmio maintains offices at 37 Nepean Street, Suite 105, Sydney, NS B1P 6A7, and in Halifax, Canada.

On November 5, 2021, the Company acquired Swarmio (the "Transaction") pursuant to an Amended and Restated Amalgamation Agreement dated June 24, 2021 (the "Amalgamation Agreement") (Note 9). As a result, Swarmio and 12747341 Canada Inc, a wholly owned subsidiary of the Company, ("Subco") amalgamated and continued as an amalgamated corporation ("Amalco") under the name "Swarmio Inc.", which is a wholly owned subsidiary of the Company. The Company will carry on through Amalco the business presently carried on by Swarmio. In connection with the Transaction, the shareholders of Swarmio received common shares in the Company in exchange for their Swarmio common shares and preferred shares, on the basis of the exchange rate such that 59,218,800 common shares were issued in exchange for 100% of Swarmio common shares and Swarmio preferred shares, including shares issuable on conversion of Swarmio convertible securities which were automatically converted on a liquidity event (other than Swarmio options and warrants). In addition, 2,000,000 common shares were issued as an advisory fee and 3,000,000 common shares were issued as a finder's fee. The Company also issued 1,264,975 replacement warrants and replacement compensation options, in exchange for warrants and compensation stock options previously issued by Swarmio and 3,675,000 stock options issued as replacement stock options for Swarmio stock options that were issued and outstanding prior to the Transaction.

The Transaction was accounted for as a reverse takeover ("RTO") whereby Swarmio was identified as the acquirer for accounting purposes and the resulting consolidated financial statements are presented as a continuance of Swarmio. After the RTO, the combined entity of Swarmio Media Holdings Inc and Swarmio Inc is referred to also as "the Company" in these consolidated financial statements.

2. Basis of presentation

Statement of compliance

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

The Board of Directors approved these consolidated financial statements on July 29, 2022.

Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet the mandatory repayment terms of its loans and borrowings as disclosed in Note 11, as well as its other liabilities and commitments as they fall due.

2. Basis of presentation (continued)

A number of unfavorable conditions have cast significant doubt on the appropriateness of this assumption. At March 31, 2022, the Company had a net loss of $6,582,931 (March 31, 2021 - $4,684,493) and a deficit of $23,091,892 (March 31, 2021 - $16,508,961).

The Company anticipates having sufficient funds to meet its corporate and administrative expenses for at least the next twelve months. However, given limited financial resources, the Company will require, and management is actively seeking, additional financing through various means including public offering, in order to secure sufficient funding for its existing commitments and meet all of its general and administrative costs. There is no assurance that management's initiatives will be successful, and material uncertainties remains as to the ability of the Company to continue operating as a going concern.

The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate, because management feels that the measures described above will mitigate the effect of the conditions and facts that raise doubt about the appropriateness of this assumption. However, such adjustments could be material.

The outbreak of a novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The COVID-19 pandemic has been one of the most significant challenges that faced by the Company during fiscal 2021 and 2022. Although the Company proceeded with a Qualifying Transaction in November 2021, it experienced significant delays and push backs on major customer acquisitions, renewals, and market launch as a result of COVID 19.

Management has taken several measures to monitor and mitigate the effects of COVID-19, including:

- Terminated the Ontario office lease early and allowed employees to work from home;
- Implemented health and safety measures for employees (such as social distancing, tele- conferences and virtual meetings, on-line data rooms and enhanced tools for remote access); and
- Streamlining operating costs and reduced redundancies.

The implementation of government assistance measures has also helped the Company mitigate some of the impact of the COVID-19 pandemic on its results and liquidity. To the extent appropriate the Company has applied for such government assistance such as the Canadian Emergency Wage Subsidy ("CEWS") program and rent subsidies. Swarmio received a Canada Emergency Business Account ("CEBA") loan of $60,000 of which only $40,000 is repayable if Swarmio makes the repayment on or before December 31, 2023. Management intends to make the repayment by this date.

Management is continuing to assess the implications for the business when these assistances are no longer available. In general, the eSports and gaming industry has experienced a favorable market growth due to COVID 19 related travel restrictions.

(Expressed in Canadian dollars)

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

Functional and presentation currency

The Company's functional and presentation currency is the Canadian dollar. Functional currency is also determined for each of the Company's subsidiaries, and items included in the financial statements of the subsidiary are measured using that functional currency.

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities not denominated in the functional currency are translated at the period end rates of exchange. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses are recognized in the consolidated statements of income.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that has such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statements of comprehensive income (loss) from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, revenues and expenses are eliminated upon consolidation.

These consolidated financial statements include the accounts of the Company and its subsidiaries as follows:

		Ownership	
Name	**Place of incorporation**	**March 31, 2022**	**March 31, 2021**
Swarmio Media Holdings Inc	British Columbia, Canada	100%	100%
Swarmio Inc.	Ontario, Canada	100%	100%
Battlehive USA Inc.	Delaware, USA	100%	100%
Swarmio Media Inc	Ontario, Canada	100%	100%
Battlehive, Inc	Ontario, Canada	100%	100%
Swarmio Media of Bahrain W.L.L	Bahrain	100%	100%
Swarmio Tunisia	Tunisia	100%	-
Swarmio Media Singapore PTE.	Singapore	100%	-
Swarmio IO Media ME Computer systems.	UAE	100%	-

3. Significant accounting policies

The accounting policies applied in the preparation of these consolidated financial statements are set out below:

Foreign currency

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction.

Functional and presentation currency

At each statement of financial position date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the period-end foreign exchange rate. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

All gains and losses on translation of these foreign currency transactions and balances are included in profit or loss and presented within operating expenses (see Note 14).

Cash

Cash consists of bank balances. Cash balances are on account at a Canadian chartered bank.

Equipment

Equipment is initially recorded at its cost, and subsequently at cost less accumulated amortization and any accumulated impairment losses. It is amortized over its estimated useful life. Cost includes expenditures which are directly attributable to bringing the asset into working condition for its intended use. In the year the equipment is purchased, the asset is amortized for half of the year. Amortization is calculated on a declining balance basis, as follows:

3. Significant accounting policies (continued)

Data centre equipment	30%
Computer and media equipment	20%
Furniture and equipment	20%

The amortization method and estimated useful lives are reviewed annually and adjusted, on a prospective basis, if appropriate.

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated.

For impairment testing, assets are grouped together into the lowest level of assets that generate cash inflows that are largely independent of the cash inflows of other assets.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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.

An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss. 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.

Intangible Assets

The Company is developing Swarmio online storefront platform ("the platform") which is expected to provide future benefits to the company. The cost of platform is capitalized as intangible assets and the company determined that the platform has an indefinite useful life thus has not amortized the platform asset. The estimated useful life and amortization method are reviewed annually, with the effect of any change in estimate being accounted for on a prospective basis.
An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss. 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.

For purposes of assessing impairment under IFRS, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating unit). Intangible assets that have indefinite useful lives are also tested for impairment at each reporting period. The Company assesses if there are any indicators of impairment of the carrying amount of indefinite-life intangible assets at each reporting period. All other long-lived intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell or value-in-use. Fair value less cost to sell is estimated as the arm's length sale price between knowledgeable willing parties less costs of disposal. To determine the value-in-use, management estimates expected future cash flows from the CGU and determines a suitable pre-tax discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors have been determined for the CGU and reflect its risk profile as assessed by management. Impairment losses for the CGU reduce first the carrying amount of any goodwill allocated to that CGU, with any remaining impairment loss charged pro rata to the other assets in the CGU.

3. Significant accounting policies (continued)

In allocating an impairment loss, the Company does not reduce the carrying amount of an asset below the highest of its fair value less costs of disposal or its value-in-use and zero. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the assets' recoverable amount exceeds its carrying amount only to the extent that the new carrying amount does not exceed the carrying value of the asset had it not originally been impaired.

Research and development

The Company is engaged in research and development activities.

Expenditures on research activities are recognized in profit or loss as incurred.

Expenditures on development activities are recognized in profit or loss as incurred, unless they meet the criteria for capitalization. The criteria for capitalization include that development costs can be measured reliably, the project 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.

Investment tax credits

The Company is eligible for certain investment tax credits relating to qualifying scientific research and experimental development ("SRED") expenditures. Based on the technical merit of its claim and management's assessment of the certainty of realization, tax benefits associated with investment tax credits are recorded as a reduction in research and development expenses or as a reduction in product development costs capitalized, depending on the nature of the expenditure.

Financial instruments

The Company classifies its financial assets and financial liabilities as follows:

Financial instruments	Classification
Financial assets	
Cash	Amortized cost
Accounts receivable	Amortized cost
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Loans and borrowings	Amortized cost
Derivative financial liabilities	Fair value through profit or loss
Preferred share liability	Fair value through profit or loss
Warrant liability	Fair value through profit or loss

Recognition and initial measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Under IFRS 9 *Financial Instruments* ("IFRS 9"), the Company's financial assets (except for accounts receivable) and financial liabilities are initially recognized at fair value. The Company's accounts receivable does not contain significant financing components and are initially measured at the transaction price.

3. Significant accounting policies (continued)

Classification and subsequent measurement of financial assets

On initial recognition, the Company is required to classify all financial assets as either fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”), or amortized cost based on the Company's business model for managing the financial asset and the nature of the associated cash flows. As of March 31, 2022, and 2021, the Company only has financial assets at amortized cost.

Financial assets are measured at amortized cost when the assets are held within a business model whose objective is to hold the financial assets and collect their contractual cash flows, and the cash flows consist of solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are adjusted for transaction costs and 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 profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Classification and subsequent measurement of financial liabilities

Financial liabilities are required to be classified as either FVTPL or amortized cost.

A financial liability is classified at FVTPL if it is classified as held-for-trading, it is a derivative financial liability 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 profit or loss. The Company takes its own credit risk into account and that of the relevant counterparties when determining the fair value of financial liabilities.

From time to time, the Company issues convertible loans for which the embedded conversion feature is settled by a variable number of the Company’s own shares. Such conversion features are precluded from being classified as equity and are separated from their host convertible loans and classified as derivative financial liabilities at FVTPL on initial recognition.

The Company designated its preferred share liabilities, which are hybrid instruments containing embedded derivative liability conversion features, as financial liabilities at FVTPL on initial recognition.

Other financial liabilities are adjusted for transaction costs and subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Certain of the financial liabilities with embedded conversion features had losses on initial recognition as the fair value of both components of the convertible instruments exceeded the transaction price. Since the valuation models used to determine the fair value of the convertible instruments don’t incorporate inputs solely from observable markets, the loss on initial recognition is deferred and recognized in profit or loss over the expected term of the instrument.

Convertible notes with warrants for preferred shares

The Company enters into loans with detachable warrants for the Company’s preferred shares. The warrants are separated from their host loans and classified as a derivative financial liability as the preferred shares subject to the warrants are classified as a financial liability. The warrants are initially measured at fair value using a binomial model. The warrants are subsequently measured at fair value through profit or loss.

3. Significant accounting policies (continued)

Convertible notes with conversion features for common shares

The Company enters into loans with embedded conversion features to be settled by a fixed number of the Company's common shares. The conversion features are separated from their host convertible loans and are classified as equity. The conversion features are initially measured at the difference between the fair value of the compound financial instrument as a whole and the fair value of the host loan. Subsequent to initial recognition, the equity component is not remeasured.

Derecognition of 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.

Accounts receivable are derecognized when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Company on alternative payment arrangements are considered indicators of no reasonable expectation of recovery.

Derecognition of 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 is recognized in profit or loss.

Impairment financial assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on financial assets measured at amortized cost. The Company's financial assets subject to impairment are its accounts receivable. The Company uses a simplified approach to always measure loss allowances for its accounts receivable at an amount equal to lifetime ECLs.

Shareholders' deficiency

Share capital represents the value of the shares that have been issued. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from share capital.

Contributed surplus includes the fair value of share-based payments.

Deficit includes all current and prior period losses.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved by the Company's Board of Directors prior to the reporting date.

3. Significant accounting policies (continued)

Warrants

The Company has loans with detachable warrants. The warrants are classified as equity as there is no contractual obligation relating to the warrants, there is a predetermined fixed amount of cash (the strike price) and a fixed amount of equity instruments (common shares) exchanged for cash. The warrants are initially measured as the residual of the principal amount and the fair value of the host loan.

Impairment

Financial assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on financial assets measured at amortized cost. The Company's financial assets subject to impairment are its accounts receivable. The Company uses a simplified approach to always measure loss allowances for its accounts receivable at an amount equal to lifetime ECLs.

Fair value measurement

Financial instruments recorded at fair value in the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Significant unobservable inputs for the asset or liability.

Income taxes

Income tax expense for the period comprises current and deferred tax. Tax is recognized in the statements of loss and comprehensive loss, except to the extent it relates to items recognized in other comprehensive loss or directly in shareholders' deficiency.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustments to tax payable in respect to previous periods.

Deferred taxes are calculated using the asset and liability method on temporary differences between the carrying amount of assets and liabilities and their related tax bases. Deferred income taxes are measured using substantively enacted tax rates that will be in effect when the amounts are expected to be settled. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences and are only recognizable to the extent it is probable that they will be utilized against future taxable income. The assessment of probability of future taxable income in which deferred tax assets can be utilized is done at each reporting date and is based on the Company's latest approved forecast, which is adjusted for significant non-taxable income and expenses and reduced to the extent that it is no longer probable that the related tax benefit will be realized. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, the deferred tax asset is generally recognized to the extent it is recoverable.

Deferred tax assets and liabilities are only offset when the Company has the right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets and liabilities are recognized as a component of income or expense in net earnings or loss, except where they relate to items that are recognized in other comprehensive loss or shareholders' deficiency.

3. Significant accounting policies (continued)

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control of its services to a customer.

The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and related revenue recognition policies:

i) Platform customization
Platform customization fee is derived from the development and right-of-use of Swarmio Platform. Revenue from the customization is recognized by reference to the stage of completion. Stage of completion is measured by reference to actual work completed to date as a percentage of total estimated work required for customization for each contract.

ii) Direct to Consumer
Sponsorship, tournament, and event supporting fees is income directly associated with planning and supporting e-sports, sporting events, tournaments, Sponsorships, and other activities, and the income is recognized upon completion of the underlying event s, for the month.

iii) Software-as-a-service
The Company enters into right-of-use license agreements with customers for its online eSports platform. These license agreements, generally non-cancellable, without paying a termination penalty, and multiyear, provide the customer with the right to use the Company's application solely on a Company-hosted platform. Revenue based on a revenue-share model is recognized as the customers invoice and collects monies from the subscribers for each monthly cycle. The Company charges its customers for the optional use of its infrastructure network to connect the platform from the Swarmio Server to the Subscribers. The revenue is recognized as earned based on the actual usage because it has stand-alone value and delivery is in control of the customer.

Restricted share units

The Company issues restricted share unit ("RSU") awards from time to time to directors, employees and consultants. RSU entitles the recipients to receive one common share of the Company on vesting. The fair value of RSU were determined by the Company's share price on the date of the award and recorded as part of share-based compensation in the statements of loss and comprehensive loss for the period.

Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants have been or will be received. Amounts received are included in other income on the statements of loss and comprehensive loss.

Amounts received for SRED are considered to be government grants (as opposed to income taxes receivable) as amounts are recoverable in cash as opposed to credits that are applied to reduce taxable income or other income tax liabilities.

Loans at below-market interest rates

The Company has government grants which gives the Company a benefit through government loans at below-market rates of interest. The loans are initially recognized and measured at fair value. The repayment of these loans are linked to future revenue. The loans are subsequently measured at amortized cost.

3. Significant accounting policies (continued)

The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is recognized in deferred income in the statements of financial position. The government grant benefit is recognized in profit or loss on a systematic basis over the period in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Cash grants

The Company receives government grants in the form of cash for payroll expenses. These grants are recorded as an offset to salaries and benefits (a component of operating expenses) when they become receivable.

Employee benefits

Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The fair value of options granted are determined using a variation of the Black Scholes model that considers factors specific to the share incentive plan, such as the vesting period (Note 18). The performance condition has been incorporated into the measurement by means of actuarial modelling.

The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date. For share-based payments 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.

Leases and right-of-use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset’s useful life and the lease term.

3. Significant accounting policies (continued)

A lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs.

The Company elected to not recognize right of use assets and lease liabilities that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

Significant accounting judgments, estimates and assumptions

The preparation of the Company’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Consolidated financial statements, and the reported amounts of revenue and expenses during the year.

Significant management judgments

The following are the judgments made by management in applying the accounting policies of the Company that have the most significant impact on the consolidated financial statements.

Accounting for financing

The determination of the accounting treatment for financing transactions completed by the Company from time to time is an area of significant management judgment. In particular, this involves the determination of whether attached warrants and embedded conversion features associated with convertible notes should be classified as equity or as derivative financial liabilities. The difference between the transaction amount and the fair value of the instruments issued in connection with the financing gives rise to losses, which have been deferred as the fair values were not determined using only observable market inputs. The manner in which the deferred loss will be recognized within income involves management judgment.

Going concern

The assessment of the Company’s ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 2.

Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provide below. Actual results may be substantially different.

3. Significant accounting policies (continued)

Valuation of stock options, warrants and RSU's

Stock options, warrants and RSU fair values utilize option pricing models that require the input of assumptions, including the expected life, volatility of the Company's stock price, forfeitures and the risk-free rate. Changes in the assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the stock option or warrants issued.

Trade receivables – recoverability of receivables through the provision of doubtful accounts.

Estimated useful lives of assets

The estimated useful lives of equipment are based on management's intentions, historical experience, internal plans and other factors as determined by management. The useful lives are reviewed on an annual basis and any revisions to the useful lives are accounted for prospectively. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

The company determined that the platform has an indefinite useful life thus has not amortized the platform asset. The estimated useful life and amortization method are reviewed annually, with the effect of any change in estimate being accounted for on a prospective basis.

Determination of fair values for financial instruments

The Company's government loans, host liability of the convertible loans, and loans with detachable warrants are initially measured at fair value using a discounted cash flow model that considers the present value of the contractual cash flows using a market rate. The discounted cash flow model requires management to
estimate the timing of debt repayments and the effective interest rate related to the instruments, consistent with how market participants would price the instrument. Estimated fair values may vary from the actual results that would be achieved in an arm's length transaction at the reporting date. Also, the timing of debt repayments could be different from management's estimates.

The conversion features that accompany the Company's convertible loans are valued by determining the difference between the fair value of the hybrid convertible loan contract, determined using an income approach with binomial lattice model; and the fair value of the host liability contract, determined using a discounted cash flow model. The conversion features are measured at fair value through profit or loss at each period end. For more fair value information, see Note 8 on the convertible loans and Note 10 on the conversion features of the convertible loans recognized as derivative financial liabilities. The calculations of the fair value of these instruments involves the use of a number of estimates and a complex valuation model. The carrying amounts of these liabilities may change significantly as a result of changes to these estimates.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Actual cash flows could be significantly different than management's estimates.

(Expressed in Canadian dollars)

Recently adopted standards

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC"). The following amended standards and interpretations have been adopted in the Company's consolidated financial statements:

- IFRS 17 Insurance Contracts - effective for annual reporting periods beginning on or after 1 January 2023

4. Accounting standards issued but not yet effective

Recent accounting procurements

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning on or after January 1, 2022 or later periods.

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") Amendments

5. Right-of-use asset and lease liabilities

Right of-use assets

Movement in the right-of-use asset balance was as follows:

		March 31, 2022		March 31, 2021
Opening balance	$	**28,691**	$	77,400
IFRS 16 transition adjustment		**-**		(15,117)
Amortization expense		**(15,650)**		(33,592)
	$	**13,041**	$	28,691

The right-of-use assets relate to the Company's premises leases which have varying terms to January 2023. The assets are depreciated over their lease term.

Lease liabilities

		March 31, 2022		March 31, 2021
Opening balance	$	**33,262**	$	81,252
Additions - Lease liabilities recognized		**-**		(25,342)
Interest expense		**6,686**		9,016
Lease payments		**(22,833)**		(31,664)
	$	**17,115**	$	33,262
Allocated as:				
Current		**17,115**		15,858
Long term		**-**		17,404
	$	**17,115**	$	33,262

(Expressed in Canadian dollars)

6. Accounts receivable

		March 31, 2022		March 31, 2021
Accounts receivable	**$**	**7,244**	$	24,756
	$	**7,244**	$	24,756

7. Equipment

Cost		Data centre equipment		Computer and media equipment		Furniture and equipment		Total
Balance, April 1, 2020	$	353,873	$	12,116	$	6,802	$	372,791
Additions		-		8,607		-		8,607
Balance, March 31, 2021		353,873		20,723		6,802		381,398
Additions		-		1,797		-		1,797
Balance, March 31, 2022	**$**	**353,873**	**$**	**22,520**	**$**	**6,802**	**$**	**383,195**
Accumulated amortization								
Balance, April 1, 2020	$	273,194	$	5,963	$	3,152	$	282,309
Amortization		24,204		936		327		25,467
Impairment		56,475		-		-		56,475
Balance, March 31, 2021		353,873		6,899		3,479		364,251
Amortization		-		1,441		319		1,760
Impairment		-		-		-		-
Balance, March 31, 2022	**$**	**353,873**	**$**	**8,340**	**$**	**3,798**	**$**	**366,011**

Net book value		Data center equipment		Computer and media equipment		Furniture and equipment		Total
As at March 31, 2021	$	-	$	13,824	$	3,323	$	17,147
As at March 31, 2022	**$**	**-**	**$**	**14,180**	**$**	**3,004**	**$**	**17,184**

At the end of each reporting period, the Company reviews the carrying value of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. During the year ended March 31, 2022, the Company determined there was no impairment to the carrying value of the equipment during the year and impairment charge of $nil (2021 - $56,475) was charged to operations.

8. Accounts payable and accrued liabilities

		March 31, 2022		March 31, 2021
Trade payables due to related parties	$	**9,056**	$	9,056
Other trade payables		**849,618**		786,717
Salaries and benefits accrual		**125,840**		213,094
Accrued expenses		**113,266**		330,106
	$	**1,097,780**	$	1,338,973

(Expressed in Canadian dollars)

9. Reverse Takeover Transaction ("RTO")

- On November 5, 2021, the Company completed the Transaction under which the Company acquired all of the issued and outstanding common and preferred shares of Swarmio. The Transaction was completed by way of a share exchange on the basis of 1.304032 Company common shares for each outstanding common and preferred share of Swarmio.

- Although the Transaction resulted in Swarmio legally becoming a wholly-owned subsidiary of the Company, the transaction constituted a Reverse takeover of the Company and has been accounted for as a reverse takeover transaction in accordance with guidance provided in IFRS 2 Share Based Payments. As the Company did not qualify as a business according to the definition in IFRS 3, this Reverse takeover transaction did not constitute a business combination. The transaction is recorded as a purchase of net assets of the Company by Swarmio for an issuance of shares.

- The transaction therefore has been accounted for as a capital transaction, with Swarmio being identified as the accounting acquirer and the equity consideration measured at fair value. The resulting consolidated statement of financial position has been presented as a continuance of Swarmio operations and comparative figures presented in the consolidated financial statements prior to the reverse acquisition are those of Swarmio. The results of operations, cash flows and the assets and liabilities of the Company have been included in these consolidated financial statements since November 5, 2021, the acquisition date. The percentage of ownership Swarmio shareholders had in the combined entity was 60.52% after the issue of 59,218,800 SMHI shares to the former Swarmio Inc shareholders.

- The deemed consideration paid by Swarmio for the net assets of the Company was measured on the basis of the fair value of the equity instruments issued, considering the price per share ascribed from financing closing concurrent with the RTO. The fair value of the warrants was estimated to be $207,622 using the Black-Scholes valuation model on the following assumptions: dividend yield of 0%; volatility of 200%; risk -free interest rate of 0. 89%; stock price of $0.35 and expected life of 1.4 years. The deemed consideration paid over the fair value of the net assets is recorded to the transactional costs in the consolidated financial statements, as follows:

Net assets acquired and the consideration paid:

Cash	$	110,406
Subscription held in trust		6,266,500
Other receivables		4,083
Accounts payable		(101,353)
Subscription payable		(6,266,500)
Total net assets acquired	**$**	**13,136**
14,640,001 shares at $0.35 per share	$	5,124,000
640,000 warrants		207,622
Listing expenses		897,859
Effective settlement of inter-company loan		(500,000)
Total consideration paid	**$**	**5,729,481**
Transactional costs	**$**	**5,716,345**

(Expressed in Canadian dollars)

9. Reverse Takeover Transaction ("RTO") (continued)

- In connection with the RTO, the shareholders of Swarmio received common shares in the Company in exchange for their Swarmio common and preferred shares, on the basis of the exchange rate such that 59,218,800 common shares were issued in exchange for 100% of the Swarmio common shares and Swarmio preferred shares, including shares issuable on conversion of Swarmio convertible securities which were automatically converted on a liquidity event (other than options and warrants).
- The fair value of the 640,000 warrants was estimated to be $207,622 using the Black-Scholes valuation model on the following assumptions: dividend yield of 0%; volatility of 200%; risk -free interest rate of 0.89%; stock price of $0.35 and expected life of 1.4 years.
- As part of the RTO, the Company issued an additional 17,904,284 common shares on conversion of subscription receipts which were previously issued at $0.35 per share, 4,083,793 shares at $0.35 per share as finders' fees and 2,000,000 common shares as an advisory fee.
- In addition, the Company also issued 1,214,077 warrants as finders' fees, replaced 3,675,000 employee compensation options. And replaced 970,049 warrants in the Company in exchange for their Swarmio warrants, on the basis of the exchange rate such that 1,264,975 warrants were issued in exchange for 100% of the Swarmio warrants.

10. Income taxes

The provision for income taxes recorded in the consolidated financial statements differs from the amount which would be obtained by applying the Canadian statutory income tax rate of 28.01% (2021: 28.01%) to the loss as follows:

		2022		2021
Loss before income taxes	**$**	**(6,582,931)**	$	(4,684,493)
Anticipated income tax at 28.01%		**(1,843,879)**		(1,312,126)
Tax effect of the following:				
Permanent differences		**(178,122)**		716,731
Unrecognized deferred tax benefits		**2,441,809**		600,891
SRED timing differences		-		(28,804)
Share issuance costs recorded to equity		**(419,808)**		-
Other		**-**		23,308
Income tax expense	**$**	**-**	$	-

The Company recorded no deferred tax assets in the statements of financial position as it is not yet probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized. The unrecognized deferred tax assets and liabilities are as follows:

		2022		2021
Losses available for carry forward	**$**	**4,415,111**	$	2,653,127
SRED tax credits and expenditure pool carry forward		**499,702**		368,713
Financing fees		**-**		62,134
Capital assets		**16,837**		10,486
Unrealized fair value adjustments		**-**		(222,406)
Share issue costs		**382,213**		-
		5,313,863		2,872,054
Valuation allowance		**(5,313,863)**		(2,872,054)
	$	**-**	$	-

(Expressed in Canadian dollars)

10. Income taxes (continued)

As at March 31, 2022, the Company has unclaimed non-capital losses that expire as follows:

2036	$	13,761
2037		1,338,842
2038		703,759
2039		2,560,556
2040		2,369,012
2041		1,681,204
2042		6,514,638

As at March 31, 2022, the Company has provincial SRED tax credits available for carryforward, which expire beginning in 2037. The SRED credits will expire as follows:

2037	$	11,792
2038		18,289
2039		36,550
2040		20,003
2041		16,202

The potential benefit of these losses and deductible temporary differences in excess of the deferred tax liabilities have not been recognized in these financial statements as it is not considered probable that sufficient future tax profit will allow the deferred tax assets to be recovered.

11. Loans and borrowings

The Company has financed operations to date with various unsecured borrowings including government loans, convertible loans, promissory notes, and loans with detachable warrants.

The conversion features are classified as derivative financial liabilities (see Note 11), and the warrants are classified as equity (see Note 13).

The Company's loans and borrowings are measured at amortized cost as follows:

		March 31, 2022		March 31, 2021
Current:				
Convertible loans – debt host	**$**	**-**	$	4,733,943
Promissory notes		**678,700**		1,247,375
Total current	**$**	**678,700**	$	5,981,318
Non-Current:				
Government loans	**$**	**1,030,828**	$	663,236
Promissory notes		**252,771**		313,450
Total long term	**$**	**1,283,599**	$	976,686
	$	**1,962,299**	$	6,958,004

There are no debt covenants on any of the Company's loans and borrowings.

(Expressed in Canadian dollars)

11. Loans and borrowings (continued)

Convertible loans

Details of the convertible loans received and their carrying values as of March 31, 2022 and 2021 are as follows:

Date received	Principal	Maturity date(*)	Effective interest rate	Carrying value March 31, 2022	Carrying value March 31, 2021
Conversion option (derivative) attached (a)					
December 27, 2017 – February 6, 2018	$ 300,000	November 5, 2021	68-70%	$ -	$ 483,333
June 9, 2019	169,382	January 15, 2021	25%	-	-
June 9, 2019	111,233	November 5, 2021	38%	-	95,715
June 12, 2019	100,000	November 5, 2021	44%	-	118,333
October 23, 2020	320,000	November 5, 2021	167%	-	300,463
Common share warrants attached (b)					
April 12, 2019	40,000 (USD)	November 5, 2021	71%	-	15,597
Conversion option (equity) attached (c)					
June 27, 2019	100,000	November 5, 2021	30%	-	117,500
July 16, 2019	50,000	November 5, 2021	29%	-	58,750
July 30, 2019	100,000	November 5, 2021	28%	-	116,667
September 27, 2019	123,000	November 5, 2021	24%	-	133,664
October 8, 2019	84,675	November 5, 2021	38%	-	97,376
November 29, 2019	41,250	November 5, 2021	34%	-	46,750
November 29, 2019	40,000	November 5, 2021	34%	-	45,333
December 31, 2020	30,000	November 5, 2021	30%	-	33,750
January 3, 2021	11,700	November 5, 2021	30%	-	62,813
January 31, 2021	56,250	November 5, 2021	32%	-	13,163
February 26, 2021	1,471,809	November 5, 2021	13%	-	1,321,478
March 2, 2021	519,255	November 5, 2021	13%	-	419,299
March 25, 2021	1,255,950	November 5, 2021	19%	-	1,026,174

- *On November 5, 2021, as part of the RTO transaction, the above noted loans were exchanged for the common shares of the Company (see Note 9).*

Date received	Principal	Maturity date(*)	Effective interest rate	Carrying value March 31, 2022	Carrying value March 31, 2021
Conversion option and preferred share warrants attached (d)					
May 14, 2019	100,000	November 5, 2021	79%	-	125,220
June 4, 2019	20,000	November 5, 2021	78%	-	24,654
June 11, 2019	60,000	November 5, 2021	68%	-	77,911
Total				$ -	$ 4,733,943
Due within one year				$ -	$ 4,733,943
Due after one year				-	-
Total				$ -	$ 4,733,943

(Expressed in Canadian dollars)

11. Loans and borrowings (continued)

On November 5, 2021, as part of the RTO transaction, the convertible loans, with the exception of the common share warrants attached (b) were converted to common shares of Swarmio Inc. which were then exchanged to the common shares of the Company (see Note 9).

Promissory notes

Details of the promissory notes as of March 31, 2022, and March 31, 2021, are as follows:

Date received	Principal	Maturity date	Stated interest rate	**Carrying value March 31, 2022**	Carrying value March 31, 2021
Related party					
October 2, 2017	$ 287,212	December 31, 2021	10%	**$ -**	$ 245,409
February 1, 2019	7,345	December 31, 2021	10%	**-**	3,652
February 12, 2019	122,493	December 31, 2021	10%	**-**	91,518
January 19, 2021	187,982	January 19, 2024	10%	**105,041**	191,661
Total related party				**$ 105,041**	$ 532,240
Arm's length party					
April 15, 2017	$ 150,000	February 15, 2023	Floating base rate +3.3%	**$ 42,500**	$ 72,500
November 12, 2017	100,000	September 12, 2024	Floating base rate + 2.2%	**49,968**	66,624
February 22, 2019	227,250	May 31, 2021	6.95%	**-**	40,484
November 30, 2020	166,625	September 13, 2021	5.42%	**144,117**	170,258
August 19, 2021[(a)]	142,332	August 31, 2023	5.45%	**126,280**	-
August 14, 2019	66,000	April 14, 2021	92.18%	**-**	90,628
August 14, 2019	66,000	April 14, 2021	92.18%	**-**	90,628
August 14, 2019	66,000	April 14, 2021	89.2%	**-**	91,738
September 12, 2019	50,000	April 14, 2021	119%	**-**	70,186
October 28, 2020	130,500	September 14, 2021	30%	**-**	134,734
February 5, 2021	158,000	September 14, 2021	30%	**-**	160,805
April 15, 2020	30,000	December 31, 2023	30%	**30,000**	30,000
December 31, 2020	10,000	December 31, 2023	30%	**10,000**	10,000
September 7, 2021	177,000	September 30, 2022	30%	**189,281**	-
October 08,2021	208,000	September 30, 2022	30%	**217,984**	-
April 12, 2019	40,000 (USD)	April 19, 2024	30%	**16,300**	-
Total arm's length party				**$ 826,430**	$ 1,028,585
Total promissory notes				**$ 931,471**	$ 1,560,825
Due within one year				**$ 678,700**	$ 1,247,375
Due after one year				**$ 252,771**	$ 313,450
Total				**$ 931,471**	$ 1,560,825

(Expressed in Canadian dollars)

11. Loans and borrowings (continued)

Government loans

The Company obtained government loans that are non-interest bearing and have no fixed maturity date. The loans are to be repaid in yearly instalments based on a calculation as a percentage (range of 3% to 5%) of "gross annual sales of the recipient". The government loans received have below-market interest rates and have been initially recorded at fair value using the assumptions noted below for each loan. Details of the government loans received and their carrying values as of March 31, 2022 and March 31, 2021 are as follows:

Date received	Principal	Effective interest rate	Initial fair value	**Carrying value March 31, 2022**	Carrying value March 31, 2021
April 14, 2016	$ 500,000	57%	$ 19,404	$ **395,898**	$ 239,937
May 24, 2017	400,546	57%	18,941	**251,384**	142,454
November 2, 2017	68,204	67%	1,901	**21,323**	12,218
June 11, 2018	140,800	57%	19,120	**87,040**	52,354
October 17, 2018	359,200	57%	27,950	**115,309**	66,009
January 13, 2020	84,522	31%	47,088	**36,146**	37,415
March 31, 2020	152,978	31%	130,424	**65,206**	67,717
December 20, 2020	1,044	31%	432	**428**	450
February 23, 2021	11,455	31%	5,089	**4,684**	4,920
June 9, 2020	50,000	31%	15,518	**26,705**	19,881
November 16, 2020	50,000	31%	17,579	**26,705**	19,881
Total government loans				$ **1,030,828**	$ 663,236

The difference between the principal and the initial fair value is the government grant benefit derived from each interest-free loan and is recognized as grant revenue.

During the year ended March 31, 2022, the Company recorded $419,085 of interest expense (March 31, 2021: $245,500) on the government loans in the consolidated statements of loss and comprehensive loss.

Other income

The benefit of the below-market rate of interest on the government loans is measured as the difference between the initial fair value of the loans determined in accordance with IFRS 9 *Financial Instruments* ("IFRS 9") and the proceeds received and is recognized in deferred income.

During the year ended March 31, 2022, the Company recorded $Nil of other income (March 31, 2021: $159,641) on the recognized portion of the deferred income in the consolidated statements of loss and comprehensive loss.

The Company and Swarmio entered a Promissory Note Agreement dated October 8, 2021. Under the terms of the Promissory Note Agreement, the Company advanced unsecured loans of $500,000 to Swarmio, which are non-interest bearing and repayable on demand. The loans were used by Swarmio for working capital purposes.

(Expressed in Canadian dollars)

12. Preferred share liability

Prior to the Transaction, Swarmio was authorized to issue:

Authorized

Unlimited number of Class A preferred shares
Unlimited number of Class B preferred shares

Issued and outstanding

The Company had the following issuances of Class A and Class B preferred shares:

Date of issuance	Number of shares	Price per share	Proceeds	Fair value March 31, 2022	Fair value March 31, 2021
Class A preferred shares					
February 17, 2016 (a)					
Fair value	3,242,857	$ 0.31	$ 1,000,000	$ -	$ 2,084,410
Less: Deferred loss	-			-	(234,320)
	3,242,857			-	1,850,090
August 9, 2018	906,578	0.47	430,411	-	677,532
August 9, 2018	610,839	0.51	312,236	-	491,505
Total Class A preferred shares	4,760,274			-	3,019,127
Class B preferred shares					
August 9, 2018 (b):					
Fair value	3,477,945	0.58	2,000,000	-	5,232,648
Less: Deferred loss	-			-	(737,329)
Total Class B preferred shares	3,477,945			-	4,495,319
Total preferred shares	8,238,219			$ -	$ 7,514,446

On November 5, 2021, as part of the RTO transaction, the preferred shares were exchanged for the common shares of the Company (see Note 9).

(Expressed in Canadian dollars)

13. Share capital

Authorized		March 31, 2022		March 31, 2021
Unlimited number of common shares				
Unlimited number of Class A preferred shares				
Unlimited number of Class B preferred shares				
Issued and outstanding				
Common shares	**$**	**19,237,563**	$	1,239,078
Warrants for common shares[1]	**$**	**366,551**	$	157,761
Equity component of convertible loans[1]	**$**	**-**	$	515,878

Note: (1) Following the closing of the Transaction, the authorized share capital of the Company is comprised of an unlimited number of common shares.

The movement in the common shares, warrants for common shares and equity components of convertible loans were as follows:

	March 31, 2022		March 31, 2021	
	Outstanding shares	Amount	**Outstanding shares**	Amount
Beginning balance	**14,238,834**	$ 1,239,078	**13,664,468**	$ 1,135,972
Stock options exercised (a)	**650,000**	63,700	**574,366**	103,106
Conversion of preferred shares (b)	**8,238,219**	362,179	-	-
Conversion of Convertible loans (c)	**9,835,116**	2,486,307	-	-
Pre-RTO Bridge loan converted to common shares	**16,235,069**	2,970,656	-	-
Elimination of Swarmio Inc.'s common shares on RTO (e)	**(49,197,239)**	(7,121,919)	-	-
Replacement shares issued to Swarmio Inc's shareholders (f)	**59,218,800**	7,121,919	-	-
Common shares deemed issued in connection with RTO (g)	**14,640,001**	5,124,000	-	-
Shares issued in connection with RTO (h)	**17,904,284**	6,266,500	-	-
Finders' fee issued in shares (i)	**4,083,794**	1,429,328	-	-
Advisory fees paid in shares (j)	**2,000,000**	700,000	-	-
Stock warrants exercised (l)	**945,145**	360,178	-	-
Share issuance costs (k)	**-**	(1,764,363)	-	-
	98,792,023	**$ 19,237,563**	**14,238,834**	**$ 1,239,078**

(a) Prior to the RTO transaction, the founders exercised stock options at various points in fiscal 2021
(b) Swarmio preferred shares were exchanged into common shares of the Company (on a 1 for 1.304032 basis) in connection with the RTO. See (e) below.
(c) Swarmio converted convertible debt into 9,273,453 common shares and 561,663 preferred shares at an average price of $0.19 per share for a total value of $1,913,143.

(Expressed in Canadian dollars)

13. Share capital (continued)

(d) Pre-RTO bridge loans and the finders' fees were converted at $0.20 per Company common share.
(e) Former shareholders of Swarmio exchanged their former 42,983,724 Swarmio Inc. common and preferred shares (on a 1 for 1.304032 basis) plus the 16,235,069 common shares issued on conversion of bridge loans for 59,218,800 resulting issuer shares.
(f) See comment (d)
(g) Consideration paid in shares and warrants for the purchase of the Company's net assets
(h) In connection with the RTO, the Company issued 17,904,284 shares at $0.35 per share on conversion of subscription receipts previously issued.
(i) In connection with the subscription receipts financing, the Company issued 4,083,793 common shares at $0.35 per share as finder fees.
(j) An RTO advisory fee was paid through issuance of 2,000,000 common shares valued at $700,000, at $0.35 per share.
(k) The share costs issuance costs, including a finders' fee and the transfer of conversion costs are recorded to the share capital account.
(l) Subsequent to RTO, a number of existing warrant holders exercised their warrants.

Warrants for Common Shares

	March 31, 2022			March 31, 2021		
	Outstanding warrants		Amount	**Outstanding warrants**		Amount
Beginning balance	**1,026,686**	$	157,761	683,768	$	81,360
Warrants issued	**-**		-	342,918		76,401
Warrants expired (a)	**(90,978)**		-			
Elimination of Swarmio Inc.'s warrants to SMHI's warrants (b)	**(1,026,686)**		(157,761)			
Replacement warrants issued to Swarmio Inc's warrant holders	**1,264,976**		157,761			
Warrants issued in connection with subscription receipts financing (c)	**1,661,255**		275,167			
Warrants exercised	**(945,145)**		(276,914)			
Warrants issued as consideration for SMHI's net assets	**640,000**		210,547			
Warrants expired	**(60,352)**		-			
Closing Balance	**2,469,755**	**$**	**366,561**	1,026,686	$	157,761

(a) Pre-RTO compensation options expiry
(b) Former warrant holders of Swarmio Inc. exchanged their former 970,049 Swarmio Inc. warrants (on a 1 for 1.304032 basis) for 1,264,975 resulting issuer warrants
(c) As part of the RTO subscription, brokers were compensated through the issuance of 2,301,253 warrants valued at $546,362 at an average price of $0.23 per warrant ascribed from the most recent private placement of Swarmio Media Holdings Inc. just prior to the completion of the RTO

(Expressed in Canadian dollars)

13. Share capital (continued)

From time to time, the Company issues loans with detachable warrants for the Company's common shares.

The details of the warrants outstanding are as follows:

Loan issued	Principal	Loan maturity date	Warrant maturity date	**Carrying value March 31, 2022**	Carrying value March 31, 2021
January 28, 2019	$ 50,000	February 11, 2019	June 24, 2023	**$ 1,091**	$ 1,091
April 12, 2019	40,000	September 30, 2019	June 24, 2023	**8,105**	8,105
April 12, 2019	40,000 (USD)	April 25, 2019	June 24, 2023	**5,788**	5,788
January 30, 2020	-	-	March 02, 2023	**16,084**	32,500
February 19, 2020	-	-	March 25, 2023	**34,101**	33,876
March 24, 2021	-	-	-	**-**	49,988
March 2, 2021	-	-	-	**-**	23,578
March 24, 2021	-	-	March 2, 2023	**1,934**	2,835
November 5, 2021	-	-	November 5, 2023	**40,287**	-
November 5, 2021	-	-	November 5, 2023	**114,433**	-
November 5, 2021	-	-	November 5, 2023	**8,398**	-
November 5, 2021	-	-	November 5, 2023	**6,746**	-
November 5, 2021	-	-	November 5, 2023	**19,107**	-
November 5, 2021	-	-	November 5, 2023	**23,936**	-
November 5, 2021	-	-	November 5, 2023	**10,141**	-
November 5, 2021	-	-	November 5, 2023	**76,400**	-
Total				**$ 366,551**	$ 157,761

Equity component of convertible loans

	Number of common shares on conversion	**Year ended March 31, 2022**	Number of common shares on conversion	Year ended March 31, 2021
Beginning balance	**9,942,090**	**$ 515,878**	8,491,667	$ 157,481
Conversion options issued/(extinguished)	**-**	**(5,011)**	1,450,423	358,397
Private placement and Convertible notes exchanged to SMHI's common shares	**(9,942,090)**	**(510,867)**		
Ending balance	**-**	**$ -**	9,942,090	$ 515,878

Common shares

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

(Expressed in Canadian dollars)

13. Share capital (continued)

Equity components of convertible loans

From time to time, the Company issues loans with conversion options for a fixed number of the Company's common shares.

The details of the conversion options for common shares outstanding are as follows:

Loan issued	Principal	Loan maturity date	**Carrying value March 31, 2022**	Carrying value March 31, 2021
June 27, 2019	100,000	June 27, 2020	**$ -**	$ 25,520
July 16, 2019	50,000	September 30, 2019	**-**	12,302
July 30, 2019	100,000	September 30, 2019	**-**	22,002
September 27, 2019	123,000	September 30, 2019	**-**	23,627
October 8, 2019	84,675	October 7, 2020	**-**	25,765
November 29, 2019	41,250	November 28, 2020	**-**	11,629
November 29, 2019	40,000	November 28, 2020	**-**	11,277
December 31, 2019	11,700	December 30, 2020	**-**	8,023
January 3, 2020	56,250	January 2, 2021	**-**	3,113
January 31, 2020	30,000	January 30, 2021	**-**	14,224
February 26, 2021	1,471,809	February 25, 2022	**-**	177,881
March 2, 2021	519,255	March 1, 2022	**-**	54,966
March 25, 2021	1,255,950	March 24, 2022	**-**	125,549
Total			**$ -**	$ 515,878

On November 5, 2021, as part of the RTO transaction, the equity portions of the convertible loans, with the exception of the common share warrants attached were converted to common shares of Swarmio Inc. which were then exchanged to the common shares of the Company.

14. Operating expenses

	March 31, 2022	March 31, 2021
Advertising and promotion	**$ 1,330,056**	$ 245,359
Bank charges	**14,621**	(2,817)
Computer expense	**478,680**	120,930
Consulting fees	**1,293,520**	620,876
Donations	**-**	(92,851)
Foreign exchange loss (gain)	**(3,549)**	4,926
Insurance	**8,906**	12,371
Meals and entertainment	**82,565**	18,178
Office	**219,733**	17,265
Professional fees	**410,586**	195,163
Salaries and benefits (a)	**3,871,971**	897,405
Travel and accommodation	**165,578**	1,445
Utilities	**-**	402
Bad debt expense	**268,852**	-
Other	**29,517**	3,589
Total	**$ 8,171,036**	$ 2,131,668

(Expressed in Canadian dollars)

(a) Included in salaries and benefits are the following:

		March 31, 2022		March 31, 2021
Salaries and benefits	**$**	**3,222,725**	$	1,701,455
Share based payments (see Note 18)		**2,151,565**		420,311
Government grants		**(648,205)**		(748,722)
SRED refunds		**(854,114)**		(475,639)
Total salaries and benefits	**$**	**3,871,971**	$	897,405

The implementation of government assistance measures has also helped the Company mitigate some of the impact of the COVID-19 pandemic on its results and liquidity. To the extent appropriate the Company has applied for such government assistance such as the Canadian Emergency Wage Subsidy ("CEWS") program and rent subsidies. The Company received a Canada Emergency Business Account ("CEBA") loan of $nil (2021 - $60,000) of which only $40,000 is repayable if the Company makes the repayment on or before December 31, 2023. Management intends to make the repayment by this date.

15. Earnings (loss) per share

Weighted average number of ordinary shares (basic)

	For the year ended March 31, 2022	For the year ended March 31, 2021
Weighted average number of common shares (basic)	**48,414,113**	13,732,404

Weighted average number of ordinary shares (diluted)

	For the year ended March 31, 2022	For the year ended March 31, 2021
Weighted average number of common shares (basic) – beginning	**48,414,113**	13,732,404
Weighted average number of common shares (diluted) – ending	**48,414,113**	13,732,404

The calculation of basic and diluted loss per share for the year ended March 31, 2022 was based on the loss attributable to common shareholders of $6,582,931 (year ended March 31, 2021 - net loss of $4,684,493) and the weighted average number of common shares outstanding of 48,414,113 (year ended March 31, 2021 -13,732,404).

As the Company is currently operating at a loss, no dilutive potential ordinary shares have been identified as the conversion would lead to a decrease in loss per share.

(Expressed in Canadian dollars)

16. Financial instruments: Fair value and risk management

Accounting classification and fair values

Financial assets and financial liabilities measured at fair value in the statements of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as outlined in Note 3.

The fair value determination is the estimated amount that the Company would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date.

There were no transfers between Level 1 and Level 2 during the years ended March 31,2022 and 2021. The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value.

March 31, 2022

	Fair values			
	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value				
Derivative financial liabilities	$ -	$ -	$ -	$ -
Preferred share liability	-	-	-	-
	$ -	$ -	$ -	$ -
Financial liabilities not measured at fair value				
Loans and borrowings	$ -	$ -	$ 1,962,299	$ 1,962,299

March 31, 2021

	Fair values			
	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value				
Derivative financial liabilities	$ -	$ -	$ 553,771	$ 553,771
Preferred share liability	-	-	8,486,095	8,486,095
	$ -	$ -	$ 9,039,866	$ 9,039,866
Financial liabilities not measured at fair value				
Loans and borrowings	$ -	$ -	$ 7,100,637	$ 7,100,637

Due to their short-term nature, the carrying value of the following financial instruments approximates their fair value at the reporting dates:

- Cash
- Accounts receivable
- Accounts payable and accrued liabilities

(Expressed in Canadian dollars)

16. Financial instruments: Fair value and risk management (continued)

Level 3 recurring fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

		Derivative financial liabilities		Preferred share liability
Balance March 31, 2020	$	660,707	$	5,590,227
Conversion features on convertible bonds issued		162,341		-
Warrants issued		-		-
Change in fair value of warrant features		(29,403)		-
Change in fair value of conversion features		(272,853)		-
Change in fair value of preferred shares		-		1,743,564
Amortization of deferred loss		32,979		180,655
Balance March 31, 2021		553,771		7,514,446
Conversion features on convertible bonds issued		-		-
Warrants issued		-		-
Change in fair value of warrant features		(70,967)		-
Change in fair value of conversion features		(317,179)		-
Change in fair value of preferred shares		-		(5,464,152)
Conversion features on convertible bonds exercised		(169,062)		-
Conversion features on preferred shares exercised		-		(2,158,192)
Amortization of deferred loss		3,437		107,898
Balance March 31, 2022	**$**	**-**	**$**	**-**

Financial risk management

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Risk factors

The Company is exposed to various risks through its financial instruments. The following analysis provides a measure of the Company's risk exposures, concentrations, and its mitigation strategies.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which the customers operate.

(Expressed in Canadian dollars)

16. Financial instruments: Fair value and risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they're due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company is exposed to this risk mainly in respect of accounts payable and accrued liabilities, loans and borrowings, derivative financial liabilities and warrants.

The Company's ability to satisfy its debt obligations will depend principally upon its future operating performance. The Company's inability to generate sufficient cash flow to satisfy its debt obligations or to refinance its obligations on commercially reasonable terms could materially adversely impact the Company's business, financial condition or operating results.

The Company anticipates that its anticipated cash flows to be generated from operations will be sufficient to execute its current business plan for 2021 and to meet its current debt obligations.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments:

March 31, 2022	Carrying amount	Total	Within 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Accounts payable and accrued liabilities	$ 1,097,779	$ 1,097,779	$ 1,097,779	$ -	$ -	$ -
Loans and borrowings:						
Government loans	1,030,828	1,791,954	569,039	986,226	192,010	44,679
Convertible loans	-	-	-	-	-	-
Promissory notes	931,471	931,471	678,700	236,115	16,656	-
Total non-derivative financial liabilities	$ 3,060,078	$ 3,821,204	$ 2,345,518	$ 1,222,341	$ 208,666	$ 44,679

(Expressed in Canadian dollars)

16. Financial instruments: Fair value and risk management (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Cash held in foreign currencies is minimal, therefore there is immaterial currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's policy is to minimize interest rate cash flow risk exposures on its long-term financing. The Company's loans and borrowings are at fixed interest rates.

Sensitivity analysis

The Company doesn't account for any fixed-rate financial liabilities at FVTPL and the Company doesn't designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

17. Related party transactions

The Company's key management personnel include members of the Board of Directors and executive officers.

The remuneration of key management personnel of the Company during years ended March 31, 2022 and 2021 was as follows:

		2022		2021
Salaries, incentives and short-term benefit	**$**	**819,922**	$	670,081
Share and RSU based payments		**1,637,838**		309,527

The outstanding balances related to key management personnel other than remuneration are as follows:

		March 31, 2022		March 31, 2021
Accounts payable and accrued liabilities	**$**	**55,600**	$	171,924
Promissory notes		**105,041**		675,578

The amounts incurred by the Company for the provision of key management personnel services that are provided by a separate management entity during years ended March 31, 2022 and 2021 are as follows:

		2022		2021
Key management personnel services provided by separate management entity	**$**	**-**	$	144,000

(Expressed in Canadian dollars)

18. Segmented information

The Company has not established discrete operating or geographic segments. Management makes decisions at a total company level.

19. Share based payments

(a) Employee Stock Options and Compensation Stock Options

The stock options are measured at fair value on the grant date, which is the date of issuance. The vesting conditions are factored into the fair value of these options at issuance, not when they are subsequently recognized over the vesting period.

The following table summarizes stock option activity for the respective periods as follows:

	Number of options	Weighted average exercise price	Average remaining contractual life (in years)
Options outstanding, April 1, 2020	4,221,281	$0.2570	4.93
Granted	-	-	-
Exercised	(350,000)	0.0001	-
Forfeited	(225,000)	0.2582	-
Options outstanding, March 31, 2021	3,646,281	0.2815	4.21
Exercised	(650,000)	0.0001	-
Forfeited	(50,000)	0.3496	-
Options granted by Swarmio Inc.	775,000	0.3496	-
Elimination of Swarmio Inc. as part of RTO transaction	(3,721,281)	(0.2758)	(4.21)
Replacement Options SMHI as part of RTO transaction	3,675,000	0.2649	5.31
New Options – SMHI	5,875,000	0.3500	4.63
Compensation option replaced by SMHI as part of the RTO	60,351	0.3977	-
Compensation Options Expired	(60,351)	(0.3977)	-
Options outstanding, March 31, 2022	**9,550,000**	**$0.3223**	**4.89**

The following table lists the options outstanding at March 31, 2022 by exercise price:

Exercise price	Options outstanding	Weighted average remaining term (in years)	Options exercisable	Weighted average remaining term (in years)
	-	-	-	-
$0.2649	3,675,000	5.31	2,591,666	6.01
$0.3500	5,875,000	4.63	-	-
	9,550,000		2,591,666	

(Expressed in Canadian dollars)

19. Share based payments (Continued)

There were 650,000 options exercised for the year ended March 31, 2022 (350,000 for year ended March 31, 2021).

Swarmio Inc employee stock option holders exchanged 3,675,000 options at an exercise price of $0.3454 for 3,675,000 at a price of $0.2649 as part of the RTO transaction.

Swarmio Inc compensation option holders exchanged 46,281 options at an exercise price of $0.5186 for 60,351 at a price of $0.3977 as part of the RTO cost, all of which have since expired.

On November 15, 2021, the company issued 5,875,000 new options at an exercise price of $0.35 per option, to existing employees as part of the employee stock option plan. The Options will not be exercisable unless and until they have vested and then only to the extent that they have vested. They will vest in accordance with the following: Twenty-five percent (25%) of Shares will vest and be exercisable on the first anniversary of the Grant Date and the remaining seventy-five percent (75%) will vest in twelve (12) equal installments at the end of every three-month period after the first anniversary of the Grant Date such that the entire Options will be vested on the fourth (4th) anniversary of the Grant Date.

The fair values of options granted were determined using a variation of the Black Scholes model that takes into account factors specific to the share incentive plan, such as the vesting period. The performance condition has been incorporated into the measurement by means of actuarial modelling. The following assumptions were used in the valuations during the respective annual periods:

	March 31, 2022	March 31, 2021
Weighted average fair value	**$0. 4292**	$0.3883
Weighted average exercise price	**$0.3440**	$0.2815
Weighted average share price at grant date	**$0.3500**	$0.3952
Dividend yield	**Nil**	Nil
Volatility	**184%**	184%
Risk-free interest rate	**1.5%**	1.49%
Expected life (in years)	**4.83**	7.00
Forfeiture rate	**0%**	0%

In total, $694,665 (2021: $420,311) of share-based payments were recognized in salaries and benefits and credited to contributed surplus.

(b) RSU – Restricted Share Units

On April 6, 2021, the Company passed a director’s resolution to establish a restricted share unit plan (the “RSU Plan”) that allows the Company to issue restricted share units (“RSUs”) to certain directors, officers, employees and consultants of the Company. The Board of Directors of the Company (the “Board”) shall specify the number of common shares of the Company (the “Shares’) that will be placed under the RSU plan, the RSUs price and the period during which RSUs may be exercised. The maximum number of Shares reserved for issuance under the RSU Plan shall not exceed 5,000,000 Shares as at the date of the grant of RSUs.

19. Share based payments (Continued)

On November 15, 2021, the Company granted 4,000,000 RSUs to the management, and the each RSU granted represents the right of the participant to receive one common share in the share capital of the Company or, at the Company's election, an amount in cash, in each case net of applicable taxes and contributions to government sponsored plans, equal to the market price of one RSU Share for each RSU then being settled. These RSUs have vested immediately upon grant and have an expiry date of November 15, 2024. The RSUs were measured on the basis of the fair value of the equity instruments issued at $0.35 per share, considering the price per share ascribed from the most recent private placement of Swarmio just prior to completion of the RTO financing closing concurrent with the RTO.

In total, $1,400,000 (2021: $nil) of share-based payments were recognized in salaries and benefits and credited to shares to be issued.

20. Subsequent events

Subsequent to the March 31, 2022, the company raised $1,166,140 through a private placement from friends, family and business associates, and issued 11,661,407 common shares at an issuance price of $0.10 per share.