SWARMIO MEDIA HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

DATED JULY 29, 2022

Swarmio Media Holdings Inc.

Management Discussion and Analysis (“MD&A”)
for the years ended March 31, 2022 and 2021

This Management’s Discussion and Analysis (“MD&A”) is dated July 29, 2022, unless otherwise indicated and should be read in conjunction with the annual audited consolidated financial statements of Swarmio Media Holdings Inc. (“Swarmio Media” or the “Company”) for the years ended March 31, 2022 and 2021 and the related notes thereto. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations (“NI 51-102”). Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the years ended March 31, 2022 and 2021 are not necessarily indicative of the results that may be expected for any future period.

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

Further information about the Company and its operations can be obtained from the offices of the Company or from www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company’s ability to predict or control. For a list of some of the risk factors that could affect the Company, please make reference to those risk factors referenced in “Risk Factors” of the Company’s prospectus dated November 10, 2021 which is available at www.SEDAR.com. Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Company’s ability to meet its working capital needs at the current level for the next twelve-month period; management’s outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; and general business and economic conditions.

All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly, or otherwise revise, any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

COMPANY OVERVIEW

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.

The Company's financial year ends on March 31. In accordance with IFRS and NI 51-102, unless otherwise specified, when this MD&A refers to the Company is referring to the Company and its subsidiaries, including Swarmio and when it refers to comparable financial periods it is referring to the comparable financial period of Swarmio.

BUSINESS DESCRIPTION

Swarmio Media is a video gaming and esports technology and media company that provides solutions purpose-built to support the growth of the video gaming communities, esports, game developers and telecom operators.

Swarmio's fully managed, plug-and-play Ember platform can be quickly and seamlessly integrated with major telco operations, allowing telcos to engage and monetize gaming subscribers and gain immediate and meaningful access to the US$200 billion gaming market.

Ember provides a proprietary digital hub for gaming communities, allowing gamers to access an ultra-low-latency playing experience, competitive challenges and tournaments, exclusive gaming content, managed communities, gamification and points system, online store (Swarmio Store), gamer e-wallet (Swarmio Pay), and customized digital content.

For a complete description of the Company's business and products, please see the heading "Narrative Description of the Business" in the Company's prospectus dated November 10, 2021 which is available at www.SEDAR.com.

COVID-19

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 2020 and 2021. Swarmio did not proceed with a potential Qualifying Transaction in March 2020 and curtailed its efforts to raise additional capital market financings, for which it had incurred extensive preparation costs. The Company also 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
- Streamlined 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.

HIGHLIGHTS FOR THE YEARS ENDED MARCH 31, 2022 AND TO THE DATE OF THIS MD&A

November 5, 2021 – Completed the Transaction, and subsequent listing on the Exchange.

December 7, 2021 – Announced that Swarmio was named as a finalist for the 2022 Pacific Telecommunications Council (PTC) Award for Outstanding Applications Company. The Award for Outstanding Applications recognizes the best "over-the-top" applications and services built on global networks, such as social media and networking; content management, distribution, or streaming video; messaging; cybersecurity; software or platform as a service.

January 12, 2022 - Announced that Swarmio began the deployment of its proprietary integrated ecommerce solution, Swarmio Store, a key component of the Company's full service ecosystem for telecom operators and game publishers. Swarmio Store is an online ecommerce store providing gamers with a one-stop shop for in-game upgrades and accessories, as well as product merchandise from all major AAA game titles.

January 19, 2022 - Announced the launch of Swarmio Pay, a new digital payment and digital wallet solution for the global gaming community. Swarmio Pay integrates Telco Direct Carrier Billing, mobile wallet, credit card processing and other regional and local payment gateways, providing all gamers - even those without bank accounts or traditional payment options - with seamless access to gaming services, content and digital goods on the Swarmio platform.

January 24, 2022 - Announced the launch of Swarmio's proprietary gamer engagement platform 'Ember'. Ember is Swarmio's proprietary digital hub for the global gaming community, providing gamers with access to competitive challenges and tournaments, exclusive gaming content, managed communities, a gamification and points system, an online store, gamer e-wallet, and customized digital content. Swarmio will partner with telcos to deliver Ember to their large customer bases.

February 10, 2022 - Secured a United States Patent (US 11,063,881 B1) for Swarmio's proprietary Latency-optimized Edge Computing (LEC) technology. This technology is the foundation of the Company's Ember gaming platform and is branded as 'Swarmio Matrix'.

May 26, 2022 – The Company announced that its common shares were uplisted to the OTCQB Venture Market, and commenced trading on the OTCQB under the symbol SWMIF.

May 31, 2022 – The Company closed a private placement for gross proceeds of $1,166,140 through the issuance of 11,661,407 common shares at a price of $0.10.

June 2, 2022 – The Company announced the signing of a commercial agreement with Ooredoo Tunisia, whereby the Company's proprietary gaming and esports platform will be rolled out and marketed to Ooredoo Tunisia's 7.5 million customers.

June 16, 2022 – The Company announced the launching of Lagless, a high performance gamer network solution for reducing latency.

During the year ended March 31, 2022, Swarmio has secured a contract with a major telecom operator or esports organization in each of Bahrain, Sri Lanka, Malaysia and Thailand. Each of these contracts provides the customer with a non-exclusive right to use the Swarmio platform within the specific country for terms ranging from 3 to 5 years. The revenue model for these contracts is either in the form of a fixed fee per user per month or a revenue sharing model. The contracts have had no impact on the financial statements for the three and nine months ended December 31, 2021.The future impact cannot yet be reasonably estimated.

DISCUSSION OF OPERATIONS FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

For the year ended March 31, 2022 the Company had a net loss of $6,582,931 compared to a net loss of $4,684,493 in 2021.

The Company commenced commercial operations in the third quarter of fiscal 2022 and recorded revenues for fiscal 2022 in the amount of $596,225. Previously, the Company was in a development stage, focusing on technology and platform development as well as marketing to customers for future quarters.

Operating expenses for the year ended March 31, 2022 totaled $8,171,036 compared to $2,131,668 for the year ended March 31, 2021. All expense categories increased as the Company had more funds available to advance its business plan, develop its products and list on the exchange. The most notable changes are discussed below.

		March 31, 2022		March 31, 2021
Advertising and promotion (a)	**$**	**1,330,056**	$	13,658
Bank charges		**14,621**		(2,817)
Computer expense (b)		**478,680**		120,930
Consulting fees (c)		**1,293,520**		942,004
Donations		**-**		(92,851)
Foreign exchange loss (gain)		**(3,549)**		4,926
Insurance		**8,906**		12,371
Meals and entertainment (d)		**82,565**		18,178
Office (e)		**219,733**		17,265
Professional fees (f)		**410,586**		195,163
Salaries and benefits (g)		**3,871,971**		897,405
Travel and accommodation (h)		**165,578**		1,445
Utilities		**-**		402
Other		**298,369**		3,589
Total	**$**	**8,171,036**	$	2,131,668

(a) Increase due to market launch in Tunisia and Philippines during 2021, as well as marketing and investor relations activities since going public in 2021.
(b) Increase sue to costs to increase the network capacity for launches in new markets, and to service whiteboard platform customers.
(c) Additional consultants were contract to support the growth of the business.
(d) Increase related to new customer acquisitions, going public, financings, and increase in staff.
(e) Increased due to general increase in business activity and personnel.
(f) Increase in audit and legal related to the going public transaction.
(g) Increase in staff and salaries to support business operations and growth.
(h) Increase due to the travel abroad for customer acquisitions, and operating in new jurisdictions.

Operating loss before interest, taxes, amortization and other items was $7,574,811 for the year ended March 31, 2022 comparted to $2,127,583 for the year ended March 31, 2021. Increase in operating loss, was the result of having the funds available to advance its business plan, develop its products, increase required staff, and listed on the exchange.

Other items for fiscal 2022 and 2021 included the following:

(Expressed in Canadian dollars)	**2022**	2021
Amortization of equipment	**(1,761)**	(13,367)
Impairment of equipment	**-**	(68,576)
Amortization of right-of-use asset	**(15,650)**	(33,592)
Amortization of deferred gain (i)	**249,102**	119,700
Amortization of deferred loss (ii)	**(114,660)**	(232,086)
Change in fair value of preferred share liability	**7,260,163**	(1,743,566)
Loss on extinguishment (iii)	**385,208**	-
Other income (iv)	**-**	203,543
Change in fair value of derivative financial liabilities	**323,500**	272,853
Change in fair value of warrants	**(25,128)**	29,403
Interest expense	**(1,352,549)**	(1,091,222)
Transactional costs (v)	**(5,716,345)**	-
	991,880	(2,556,910)

(i) The company received loans issued by a government agency at below-market interest rates. The loans were initially recorded at fair value using the below assumptions and are subsequently measured at amortized cost. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the loans and the proceeds received, and is recognized as a deferred gain. The deferred gain is recognized in income over the term of the loans in the amortization of deferred gain account.

(ii) Amortization of deferred loss relates to the preferred shares that were issued with an embedded derivative liability conversion feature. The initial fair value of preferred shares issued exceeded the transaction price giving rise to a day one loss. Since the initial fair value of the preferred share liability was not determined using a valuation model that only uses data from observable markets, the loss on the initial recognition is deferred and recognized into income over the expected term of the instrument.

(iii) Loss on extinguishment is due to conversions and modifications of convertible loans.

(iv) Other income is made up of the portion of deferred income recognized during the year from government grants. The Company received government grants which gives the Company a benefit through these government loans at below-market rates of interest. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the loans and the proceeds received, and is recognized in deferred income.

(v) These are one-time costs related to the Transaction. Of this total $5,315,245 is a non-cash expense, and relates to the value attributed to the RTO listing.

SUMMARY OF QUARTERLY INFORMATION

A summary of selected information (in accordance with IFRS) for the quarter and prior quarters is as follows:

		Net Income (Loss)	
Three Months Ended	Net Revenues ($)	Total ($)	Basic and Diluted Income (Loss) Per Share ($)
March 31, 2022	82,223	(2,499,630)	(0.02)
December 31, 2021	513,065	(6,958,880)	(0.10)
September 30, 2021	937	287,388	0.02
June 30, 2021	-	2,588,191	0.18
March 31, 2021	-	(1,836,446)	(0.13)
December 31, 2020	4,085	(841,344)	(0.06)
September 30, 2020	-	(954,956)	(0.07)
June 30, 2020	-	(1,051,747)	(0.08)

The Company's level of activity and expenditures during a specific quarter have been influenced by the availability of working capital, the availability of additional external financing and the status of projects and level of expenditures required to complete. Given the past start up phases of the Company, there has been no seasonality factors or other trends that have affected the quarterly results other than availability of capital. These quarters were focused on product development and listing on a stock exchange. Commencing the quarter ended December 31, 2021, the Company entered into commercial stage and commenced generating revenues, previous quarter revenues, related to pilot projects or non-platform related revenues. In the third quarter the amalgamation transaction was approved and the listing expense of $5,716,345 resulted. This was a one-time cost related to the Transaction. Of this total $5,315,245 is a non-cash expense. Net income in the June 30, 2021 and September 30, 2021 quarters was the result of a gain on the change in the fair value of preferred share liability (representing the conversion feature and is a non-cash item). The gains for these quarters offset the expenses which resulted in net income.

FOURTH QUARTER

During the fourth quarter, the company recorded revenues of $82,223 and a net loss of $2,499,630.

The Company was focused on the following:
- Focused on its Ember Platform as a brand and moved away from white-board solutions.
- Integration work related to expansion / scaleup up into Tunisia and Philippines
- Full focus on service delivery and marketing efforts, hiring to meet the expansion strategies
- Worked on the development and integration of the Swarmio Store e-commerce platform as a full-service platform to Telecom customers in Tunisia and Philippines.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following table summarizes maximum number of common shares outstanding as of the date of this MD&A if all outstanding warrants, options and RSU's were exercised to purchase common shares:

Common shares	110,453,430
Options	9,550,000
Warrants and Compensation Options	2,469,755
RSUs	4,000,000
	126,473,185

LIQUIDITY AND CAPITAL RESOURCES

The 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.

Based on its current monthly administrative, operating and development costs, the Company does not anticipate having sufficient funds to meet its corporate and administrative expenses for at least the next twelve months. Given its current financial resources, and history of losses the Company will require, and management is actively seeking, additional financing through various means including but not limited to an equity offering, in order to secure sufficient funding for its existing commitments and meet all of its future general and administrative costs. There is no assurance that management's initiatives will be successful and uncertainty remains as to the ability of the Company to continue operating as a going concern.

The primary need for liquidity is to fund working capital requirements of the business, including operating and marketing costs, and costs towards developing technology. Additional funding may be required to fund strategic acquisitions as the opportunity arises. The primary source of liquidity has primarily been private financings and government grants and, to a lesser extent, by cash generated from the exercise of warrants and options. Going forward the Company may also rely on public offerings of securities as a source of funding.

The Company's net cash used in operating activities for the year ended March 31, 2022 was $6,766,415 compared to cash used in operating activities of $1,501,194 in 2021.

The net cash from financing activities for the year ended March 31, 2022 was $6,170,418 as compared to $3,860,149 in 2021.

During the year ended March 31, 2022, cash used in investing activities comprised of $1,797 used to purchase equipment and $207,934 for the acquisition of intangible assets (representing the development costs of online platforms).

CAPITAL RESOURCES

The Company relies upon various sources of funds for its ongoing operating and investing activities. These sources include capital raising activities such as private placement debt and equity financings, and government grants.

On completion of the Transaction, the Company was able to access over $6,000,000 from the subscription receipt financings completed by the Company prior to closing the Transaction.

As at March 31, 2022, the Company's capital resources consisted primarily of cash, investment tax credits receivable and sales tax receivable.

TRANSACTIONS WITH RELATED PARTIES

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 – see breakdown below (i)	**$ 819,922**	$ 670,081
Share based payments (Stock options and RSU's)	**1,637,838**	309,527

(i)

	2022	2021
Karthigesu Vijayasuganthan, CEO	$ 293,961	$ 150,010
Sorin Stoian, CTO	288,672	150,010
Aseef Khan, VP Gaming	-	103,522
Jonathan Visva, CAO	237,289	140,000
John Smith, EVP Service Delivery	-	120,000
Senthil Ratnasabapathy	-	6,539
	$ 819,922	$ 670,081

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 (i)	**$ 55,600**	$ 171,924
Promissory notes (ii)	**$ 105,041**	$ 675,578

	March 31, 2022	March 31, 2021
(i) Breakdown of Accounts payable:		
Aseef Khan, VP Gaming	$ -	$ 8,893
Tesh Kapadia, EVP, Global sales	-	161
2269732 Ontario Limited (Tesh Kapadia)	55,600	162,870
	$ 55,600	$ 171,924
(ii) Breakdown of Promissory notes		
Nudpam Holdings (Karthigesu Vijayasuganthan, CEO)	$ -	$ 245,409
Aseef Khan, VP Gaming	-	3,652
Senthil Ratnasabapathy	-	-
Karthigesu Vijayasuganthan, CEO	-	91,518
John Smith	105,041	334,999
	$ 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 are as follows:

		2022		2021
2269732 Ontario Limited (Tesh Kapadia, EVP, Global sales)	**$**	**-**	$	144,000

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include accrued liabilities, the recoverability of deferred tax assets, and valuation of warrants.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Information about critical judgments in applying accounting policies that have the most significant effect of amounts recognized in the financial statements is included going concern assessment.

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 financial statements.

<u>Accounting for financing</u>

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.

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.

<u>Estimated useful lives of assets</u>

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.

<u>Determination of fair values for financial instruments</u>

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, in the annual audited. 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.

FINANCIAL INSTRUMENTS

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 analyze 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.

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 not be sufficient to execute its current business plan for 2023 and to meet its current debt obligations.

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.

RECENT ACCOUNTING PRONOUNCEMENTS

Recently adopted standards

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”). The following amended standards and interpretations are not expected to have a significant impact on the Company’s consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements is the responsibility of Management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the accompanying financial statements.

CORPORATE DIRECTORY

Head Office

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