

## Turnium Technology Group Inc.

### MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (this “**MD&A**”) is dated March 6, 2023 and is intended to assist the reader in understanding the results of operations and financial condition of Turnium Technology Group Inc., (“**TTGI**”, or the “**Company**”). This MD&A should be read in conjunction with the following information that can be obtained from [www.sedar.com](http://www.sedar.com):

- (i) The Company’s unaudited condensed consolidated interim financial statements for the three months ended December 31, 2022 and accompanying notes (the “Financial Statements”); and
- (ii) The Company’s filing statement dated June 6, 2022.

The Financial Statements of TTGI have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”).

TTGI’s reporting and functional currency is Canadian Dollars and the functional currency of its wholly owned operating subsidiary, Tenacious Networks Inc. (“TNET”), is Canadian Dollars. The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. All dollar amounts reported herein are in Canadian dollars unless otherwise indicated.

### CAUTION ON FORWARD-LOOKING INFORMATION

This MD&A contains certain “forward-looking information” and “forward-looking statements” (collectively “**forward-looking statements**”) within the meaning of applicable Canadian securities legislation. When we discuss our strategy, plans, outlook, future financial and operating performance, financing plans, growth in cash flow and other events and developments that have not yet happened, we are making forward-looking statements. All statements in this MD&A that address events or developments that we expect to occur in the future are forward-looking statements, including the following:

- the development and capabilities of TTGI (as defined herein) to provide software and services;
- our plan to expand operations by adding additional customers;
- our expectations in relation to working capital;
- our expectations in relation to our future financial needs;

Forward-looking statements are statements that are not historical facts and are generally, although not always, identified by words such as “expect”, “plan”, “anticipate”, “project”, “target”, “potential”, “schedule”, “forecast”, “budget”, “estimate”, “intend” or “believe” and similar expressions or their negative connotations, or that events or conditions “will”, “would”, “may”, “could”, “should” or “might” occur. All such forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. Forward-looking statements necessarily involve assumptions, risks and uncertainties, certain of which are beyond the Company’s control, including the following:

- our dependence on suppliers and customers;
- our ability to attract customers;
- the competitive nature of the SD-WAN market;
- our ability to manage our growth;
- expansion plans not being completed as expected;
- protection of intellectual property;
- exchange rate risks;

- regulatory risks;
- tax laws;
- our future operations and our ability to realize the anticipated benefit of acquisitions and dispositions;
- ability to raise capital;
- conflicts of interest;
- our dependence on key personnel;
- dilution to present and prospective shareholders;
- the lack of a market for our securities; and
- our share price.

The Company assumes no responsibility to revise forward looking statements to reflect new information, subsequent events or changes in circumstances, except as required by applicable securities laws.

## **1. History of the Business**

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

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

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

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

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

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

This MD&A for the three months December 31, 2022 and the comparative figures include the results of operations of TNSI and TNET from October 1, 2021 and of the Company from June 16, 2022, the date of the RTO.

## **2. Core Business**

TTGI develops and commercializes a software platform, being a software-defined wide area networking (“SD-WAN”) platform, used to build communication networks that connect a business’ multiple branches or locations to each other as well as to multiple cloud-hosted applications, data, and storage. TTGI leverages the capabilities of white-box hardware (hardware not manufactured by a known brand or containing software), Linux, and open-source software to build a proprietary software platform that delivers business networks that are simpler and easier to deploy, have greater effective reach, and are more cost-effective than traditional networks provided by telecommunications companies that rely on proprietary hardware and regulated networks.

## **3. Products and Services**

TTGI’s SD-WAN platform is sold to end-customer businesses through a global channel program comprised of resellers, OEM licensees, and wholesale distributors.

TTGI SD-WAN makes it easy for channel partners to add a new managed SD-WAN service to their portfolios to meet customer needs for better, more reliable, more affordable, and more flexible business networks and communications.

Using TTGI’s SD-WAN, channel partners can deploy and manage secure private networks for each of their customers using a combination of any available Internet, wireless, 4G/LTE, 5G and fiber connections at each site. TTGI networks operate as an overlay, running over top of any available telecom or ISP connection, yet being managed by TTGI’s software.

The networks that TTGI enables delivers features comparable to the dedicated networks and connections offered by traditional telecommunications providers. However, SD-WAN networks benefit from being faster to deploy, easier to manage, and easier to change and expand. TTGI SD-WAN networks also enable channel partners and their customers to eliminate the complexity and time-consuming processes entailed in working through the quote, provision, change and repair processes of traditional telecommunication companies.

TTGI delivers its software in two ways to its channel partners. The first is as a white-label software platform originally branded ‘Multapplied’ that is licensed to channel partners who want to own, run, manage, and brand their own SD-WAN solution. The second is a turnkey, Turnium-managed SD-WAN service, that is re-sold by channel partners who want to add a Turnium-branded offer to their sales portfolio without the expense or complication of running the platform themselves. In addition, TTGI delivers services through a wholly owned subsidiary, TNET, which provides channel partners with professional services, as well as end-customer businesses with IT services and support services including managed desktop, managed LAN, hosted voice and computer hardware, network, and security sales. TNET contributes a revenue positive support structure to TTGI, offsetting what would otherwise be a cost center, while also enabling the range of services that TTGI can sell to its customers.

### **Turnium Wholesale SD-WAN**

Turnium Wholesale SD-WAN is a wholesale white-label software platform that is sold to channel partners who package, brand, price, and sell it to residential, home-business, SMB, government, and enterprise customers as their own offering. Wholesale channel partners include System Integrators, MSPs (managed service providers), ISPs (Internet service providers), and telecommunication companies (including cable companies) that provide managed network, hosted voice, managed desktop, backup services, managed security, and outsourced IT.

Wholesale channel partners install TTGI's software in their own data centers and host and manage it themselves. With Turnium software installed, a partner can deliver a better end-user experience of the business applications they sell, such as telephone service, contact center services, and applications like data backup, security services or managed computer desktop. Running Turnium Wholesale SD-WAN allows a partner to replace expensive, inflexible and dedicated legacy networks provided by traditional telecoms with similar functionality that is faster to setup and change, easier to manage, comes at a highly competitive price, and gives the partner the ability to manage and troubleshoot the network completely themselves.

#### Turnium Managed SD-WAN

Turnium Managed SD-WAN is a turnkey, managed SD-WAN service, that is sold through a channel program to SMB and SME (small-medium enterprise). Turnium Managed SD-WAN channel partners include system integrators, independent software vendors, IT value-added resellers, IT consultants and small-medium Managed Service Providers ("MSP") that provide managed network, and provide or resell hosted voice, managed desktop, backup services, managed security and outsourced IT.

TTGI hosts and delivers its managed service from its own data centres in Vancouver, Calgary, Toronto, New York, and Los Angeles. Turnium can add new regional instances of its software easily.

TTGI channel partners resell Turnium Managed SD-WAN on 12, 24 or 36-month contracts and receive a monthly commission stream. TTGI channel partners invest in pre-sales, sales, and marketing activity.

As compared to its wholesale software platform, TTGI's Turnium Managed SD-WAN provides channel partners and end-customers with a fully packaged service that includes SD-WAN software and hardware that is hosted and managed by TTGI. The service comes packaged with on-premise hardware for each site, customer service, and technical support bundled into a monthly price. TTGI can also provide higher-touch services to design and deploy a managed solution to meet custom requirements.

Turnium Managed SD-WAN gives TTGI's channel partners and their end-customers access to a complete solution for a monthly fee per site, with professional services being delivered on an hourly basis, without having to deploy, manage or support the core networking infrastructure themselves. TTGI can use any existing customer connectivity or provide last-mile circuits bundled into the solution.

TTGI earns revenue under each of its three offerings, from a combination of upfront site license fees, set-up fees; support and maintenance fees; and monthly per-site license fees. Furthermore, through TNET, TTGI resells computer hardware and licensing from brands such as Lenovo and Fortinet and provides professional services.

#### **4. Market**

TTGI is taking advantage of the rapid growth and adoption of SD-WAN. According to Gartner, between 2017 and 2022, the SD-WAN industry and associated services are forecast to grow rapidly while hardware sales will be flat and traditional networking technologies will decline.

By delivering its software through a channel program, TTGI benefits from leveraging the trusted, relationships between channel partners and their existing end-customers. As channel partners grow and sell, TTGI benefits by leveraging each partners' sales, delivery, and support activities. This "pull-through" of TTGI's software is an efficient sales strategy, as TTGI sells once to channel partners who have multiple customers and can deliver TTGI's SD-WAN software as part of their business activities. By focusing on a channel program, TTGI does not compete with potential channel partners for the attention and trust of their customers.

There are over 170,000 identified potential channel partners in the Wired & Wireless Telecommunications, Telecommunications Reseller, Data Processing and Computer Systems Design & Related Services industry segments in North America, comprising our total addressable market.

Since 2019, TTGI has focused on selling to Managed Service Providers (MSPs). SD-WAN delivers a strong value proposition to MSPs as it provides the MSP with a secure, reliable on-ramp to deliver their hosted, managed services. The MSP generates significant profit from their hosted services and uses TTGI's SD-WAN as a means-to-an-end, or a secure on-ramp to their hosted, managed services. The MSP is less price sensitive and typically bundles with Turnium SD-WAN into their other services.

TTGI also targets large regional, national and international telecom companies. Although sales cycles to these companies are lengthy and TTGI is competing with international technology brands, TTGI is approaching these potential partners due to the significant impact they could have on TTGI's business and because TTGI can enable telecoms to provide in-house, branded services at an affordable price point to SMB customers.

## **5. Overall Performance**

During the three months December 31, 2022 and to the date of this MD&A, the Company was actively enhancing its software offering, and building its base of channel partners. TTGI reported the following milestones:

### **Development of the Business**

- **November 28, 2022** – TTGI appointed a new Chief Financial Officer, a Controller and two new members to its Board of Directors.
- **October 25, 2022** – TTGI completed a restructuring plan. The plan aims to improve operational efficiencies while reducing administrative and overhead costs, and shortens the projected time to profitability while preserving the Company's capacities. Under the restructuring plan, personnel roles have been merged. As well, a mergers and acquisitions committee of current board members has been formed to evaluate various strategic initiatives.
- **July 22, 2022** – TTGI entered into a 5-year license agreement with Wedge Networks Inc. ("Wedge"). Wedge's cyber security platform offers network traffic monitoring, malicious attack detection and intelligent real-time threat prevention. Under the agreement, TTGI will bundle WedgeARP™ with TTGI's SD-WAN to provide channel partners with a complete, integrated solution of network plus security. The Company will acquire this license in exchange for royalties on sales and the issuance to Wedge of 1,785,714 common shares of the Company at an agreed price of \$0.56 per share (or a deemed value of \$1.0 million), subject to the Company's receipt of certain deliverables and the acceptance of the TSX Venture Exchange. The shares shall be subject to the terms of a voluntary escrow, and shall be automatically released in annual instalments over the initial five-year term of the license.

- **July 12, 2022** – TTGI announced the appointment of John Wigboldus as Chief Revenue Officer (“CRO”). An entrepreneurial veteran of the technology industry, John has over 20 years of demonstrated success in driving sales strategies and establishing scalable growth revenue and sales organizations. Prior to joining Turnium, John was the Senior Vice President of Sales at Rise. Before Rise, John was SVP Global Sales at the software company CounterPath, where he reshaped the company’s sales focus to a SaaS model. In the four years under his direction, CounterPath’s revenues increased by 56% and SaaS revenues grew 900% by the time the company was acquired by Alianza in March of 2021.
- **June 29, 2022** –TTGI announced it has signed a Master Pricing Agreement (“MPA”) with a major telecommunications company delivering services across the Asia-Pacific region. The MPA with Turnium enables new and targeted digital business and infrastructure to business and enterprise customers across the region that cannot be met by other SD-WAN vendors. Turnium’s white-label, disaggregated SD-WAN platform enables Turnium’s new telecommunications partner to brand, host, manage, and deliver advanced SD-WAN, create unique bundles, and connect customers’ multiple sites, clouds, devices, and vehicles into customer-dedicated, managed, secure networks and hybrid cloud/multi-cloud solutions.
- **June 23, 2022** –TTGI announced the appointments of Evelyn Bailey and Peter Green to its Board of Directors.

Evelyn Bailey, ICD.D, has over 30 years of experience at IBM. She has supported the BC Government (Public Sector), Bell Canada (Telcomm), and recently Scotiabank (Financial), driving double-digit growth through transformational IT. By aligning financial objectives with talent and collaboration with partners, Ms. Bailey has led complex turnarounds for IBM’s multi-billion-dollar Storage & Systems (Mainframe, UNIX/AIX) and Data & AI divisions. Outcomes included balanced improvement in the P&L, double-digit revenue growth, and increased client satisfaction. Ms. Bailey is Global Managing Partner, Scotiabank – Kyndryl (an IBM spin-off). Her prior roles include Global Managing Director, Scotiabank – IBM, Senior Vice President, Data & AI – IBM, and Senior Vice President, Systems Technology – IBM. Ms. Bailey completed her ICD.D in March 2020.

Peter Green is an accomplished telecommunications executive and sales leader with a career spanning over three decades in the UK and Canada. Previously, Peter served as President of TELUS Business Solutions where he oversaw an organization with over 25,000 medium and large enterprise customers generating \$1.4 billion in revenue annually. Peter initiated and led the negotiation of a \$1 billion contract with the province of British Columbia, representing the then largest commercial transaction in TELUS history.

- **May 17, 2022** – TTGI and Quantum Internet Solutions announced their joint support of the Ukrainian Safe Haven Project. Situated at the former Grouse Nest Resort in Sooke, BC, the Ukrainian Safe Haven is set to provide refuge for up to 100 Ukrainians forced to flee from the ongoing conflict in Donbas, Kharkiv, Mariupol, and other affected cities within the country.

Turnium and Quantum are donating a complete technology package to the non-profit organization that will keep residents of the Ukrainian Safe Haven connected to vital news with internet, video, and voice calling services. Quantum is donating all hardware, installation, and 24/7 support while Turnium is donating the company’s software-defined wide area networking (SD-WAN) technology.

The combined donations from Quantum and Turnium will ensure those staying at the Safe Haven will receive fast and reliable internet service to keep them connected to critical information and their loved ones.

- **March 1, 2022** – TTGI and Lanner Electronics Inc. (“Lanner”) announced the availability of TTGI’s and Lanner’s joint edge compute solution. This solution was released for viewing at Mobile World Congress 2022 (MWC22). This joint integrated solution is built using TTGI’s cloud-native network function (CNF) certified software-defined wide area network (SD-WAN) solution embedded on Lanner’s latest white box network appliance, the NCA-1516 uCPE. The Lanner NCA-1516 uCPE is available in multiple memory and processor configurations to suit customer needs and can support multiple workloads including Turnium’s SD-WAN solution. The Lanner NCA-1516 and Turnium SD-WAN solution are the foundation of any cloud extension and wide area network (WAN) architecture and enable customers to build a disaggregated secure access service edge using their preferred security vendors. A number of SKUs covering various hardware configurations for this bundled solution are available directly from Lanner. This joint solution makes it easier for enterprises and carriers to deliver a bundled uCPE/SD-WAN solution and bring branch offices on-net more efficiently and cost effectively.
- **February 14, 2022** – TTGI announced that it has closed a new channel partner agreement with the fastest growing wholesale telecom provider in Latin America. After an extensive competitive process including a proof-of-concept deployment and evaluation by its technical and business teams, TTGI has begun working with its new channel partner. Launching in Brazil and Columbia, TTGI’s new channel partner provides network services direct to enterprise as well as to telecommunications companies, managed service, and internet service providers. Gartner Inc., forecasts that Latin American organizations will purchase USD\$170.6M in SD-WAN equipment by 2025, up from USD\$81.7M in 2021 – an increase of 108% year over year (“Forecast: Enterprise Network Equipment by Geography”, 2019-2025. March 2021).
- **February 3, 2022** – TTGI announced it has signed a managed services agreement with TD SYNnex. The deal brings Turnium Managed SD-WAN to TD SYNnex’ vast network of resellers across Canada. With Turnium SD-WAN, TD SYNnex’s reseller network delivers to customers consistent bandwidth, built-in failover, and bi-directional support for the quality of service required for voice and video. Companies benefit from Turnium’s solution, which allows them to get higher speeds and failover by simultaneously using two Internet connections from different Internet Service Providers (ISPs). Turnium Managed SD-WAN offers a low barrier to entry for IT services providers to leverage current cutting-edge technology. This provides customers like TD SYNnex the ability to readily deploy network endpoints as needed using a Network-as-a-Service approach regardless of the underlying infrastructure. What takes telecommunications companies and ISPs days or weeks to deliver can now be done in a matter of minutes.
- **January 12, 2022** – TTGI opened its software development center in Halifax, Nova Scotia, Canada. The new development center puts TTGI in the heart of Nova Scotia’s burgeoning CAD\$2.5B technology industry. On Canada’s East Coast, TTGI’s Halifax center operates 4 hours ahead of the development team in British Columbia’s Lower Mainland. TTGI’s developers are skilled in C/C++ and other languages necessary to advance the features and functionality that telecom and managed service providers need from Turnium’s disaggregated SD-WAN platform.

- **November 16, 2021** – TTGI participated in the ICT Virtual Trade Mission to Brazil organized by Global Affairs Canada and the Consulate General of Canada in São Paulo, Brazil. The virtual mission took place between November 3-17, 2021, alongside the Futurecom Trade Show and Congress, the largest telecommunications event in Latin America. TTGI joined the delegation with the goal of continuing to expand its global reach to include the Brazilian market and customers across Latin America.
- **November 16, 2021** – TTGI engaged Haresh Kheskani as Chief Technology Officer (CTO)/VP of Engineering. Haresh joins the Turnium team, having spent the last year as Turnium’s VP Strategic Solutions, introducing Turnium’s white-label SD-WAN platform to technology and managed services companies in Silicon Valley. Haresh brings over 35 years of technical experience in software development, network function virtualization and other core networking technologies to Turnium. In his prior roles, Haresh was VP Product Management for Cloud Platform at Loodse (currently known as Kubermatic). Haresh spent over 15 years at Cisco Systems leading software development programs including OpenStack, Network Function Virtualization Infrastructure (NFVI), Container Deployment, and Performance, Scale and Security. Prior to Cisco, Haresh held roles at ONStor, Silicon Graphics, Touch Communications, and Fairchild Semiconductor.
- **October 26, 2021**– TTGI attended Mobile World Congress Los Angeles and demoed at the IBM Booth where it announced a commitment from IBM’s Technology Assurance Group (TAG) to bring their network of managed technology service providers (MTSPs) to IBM’s Cloud for Telecommunications. TTGI joined IBM’s (NYSE: IBM) ecosystem of partners earlier this summer. Along with leveraging TTGI’s powerful SD-WAN, TAG benefits from IBM’s highly reliable and scalable cloud environment designed to accelerate business transformation with the power of edge and 5G, while addressing the unique requirements of operators, partner ecosystems and their enterprise clients.

Together, TTGI and IBM Cloud for Telecommunications help Technology Assurance Group (TAG) extend the reach of their managed technology solutions and partner network to new customers across the United States. TAG is an organization of leading managed technology services providers in the United States and Canada representing \$700 million in products and services.

The combined TAG, IBM, and TTGI offering helps TAG’s MTSP partners deliver reliable and scalable software-defined wide area networks that accelerate customer digital transformation and hybrid cloud adoption.

- **October 26, 2021** - TTGI launched an embedded multi-path site networking solution with Lanner Electronics at Mobile World Congress Los Angeles, October 26-28, 2021. The solution includes TTGI’s off-the-shelf network bonding and failover software pre-installed on Lanner’s uCPE L-1515 device. This bundle enables customers to deliver multi-path failover using diverse LTE and wireline paths quickly and simply. This solution will make it easier and faster for customers to provide site survivability, bond wireless and wireline circuits and get the business continuity benefits of fast failover in a single purchase from Lanner.

The combined solution will be available as a new SKU (Turnium SW Bonding Tool) in Lanner’s product catalogue. The bundled price from Lanner allows customers to make a single purchase and receive the benefit of high-quality Lanner hardware pre-imaged with Turnium’s multi-path bonding and failover technology to increase site bandwidth and survivability.



## Financing and Corporate

- **November 30, 2022** – the Company renegotiated its \$1.85-million loan agreement with FirePower Capital. Under the terms of the amended loan agreement, the maturity date has moved from July 30, 2024, to March 31, 2023. Financial performance covenants have been replaced with a minimum cash balance on hand of \$350,000, and a commitment by the company to complete a \$97,000 asset purchase of blocks of Internet protocol addresses, application software and hardware, and three of its data centres from PSD Systems.
- **September 30, 2022** – the Company entered into a promissory note with an arms-length individual for a principal amount of \$100,000. The promissory note bears interest at a rate of 1% per month and is payable in 24 equal instalments, commencing from the first month after closing. Regulatory approval of this promissory note is required, and has not been granted as of December 31, 2022; therefore, the promissory note has been recorded at face value
- **June 22, 2022** - the Company's shares commenced trading on the TSX Venture Exchange under the symbol TTGI.
- **June 16, 2022** – In accordance with the terms of an amalgamation agreement (“Amalgamation Agreement”) entered into among the Company, its wholly owned subsidiary, 1333633 B.C. Ltd. (“Subco”) and TNSI, the Company consolidated its class “A” common shares on the basis of one post-consolidation share for every five pre-consolidation shares. Subco and TTGI then amalgamated under the Business Corporations Act (British Columbia). The amalgamated corporation, TNSI is a wholly-owned subsidiary of the Company. As consideration for the amalgamation, the Company issued an aggregate of 66,492,926 post-consolidation common shares to the former shareholders of TTGI. On closing, the Company also issued options to purchase an aggregate of 11,100,766 common shares with exercise prices ranging from \$0.10 to \$0.56 per share, warrants to purchase an aggregate of 10,616,651 common shares with exercise prices ranging from \$0.25 to \$0.75 per share and compensation options in exchange for the April 8, 2022 compensation warrants. Upon Closing the RTO, the Company's share capital is as follows:

	Number of Common Shares
Common Shares held by RMR Shareholders prior to Business Combination <sup>(1)</sup>	2,047,155
Common Shares issued to TTGI Shareholders pursuant to Business Combination <sup>(2)</sup>	66,492,926
<b>Issued an outstanding Common Shares</b>	<b>68,540,081</b>
Common Shares issuable upon exercise of Options	11,100,766
Common Shares issuable upon exercise of Warrants <sup>(3)</sup>	10,616,651
Common Shares issuable upon exercise of Agents' Compensation Options	229,649
Common Shares issuable upon exercise of Warrants underlying Agents' Compensation Options	114,824
<b>Total Share Capital</b>	<b>90,601,971</b>

Additional information concerning the RTO can be found in note 5 to the Financial Statements and in this MD&A.

- **April 8, 2022** - in connection with the RTO, the Company completed a private placement of 5,910,627 subscription receipts and a price of \$0.56 per subscription receipt, for gross proceeds of \$3,309,951. Each subscription receipts converted into one common share of the Company and one-half (1/2) of one common share purchase warrant prior to closing the RTO. Each whole share purchase warrant entitles the holder to acquire one common share at a price of \$0.75 per share for a period of two years. The Company paid cash commissions of \$220,210 and 229,649 agents' compensation options. Each compensation option entitles the holder to purchase one unit of the Company on before April 8, 2024. Each unit will consist of one common share and one-half of one share purchase warrant, each warrant entitling the holder to purchase one common share at a price of \$0.75 on or before April 8, 2024.
- **April 7, 2022** – Subject to the Company's payment of a \$35,000 refinancing fee, which was paid on May 13, 2022, the Company extended the current principal of \$850,000 of its \$1,850,000 term loan to May 31, 2023.
- **April 4, 2022** – TTGI issued 2,083,334 common shares on the conversion of its \$1 million convertible note.
- **December 21, 2021** – TTGI entered into a definitive amalgamation agreement with RMR, a capital pool company, under which the Company will become a wholly-owned subsidiary of RMR and the business of RMR will be that of the business of the Company. The Agreement is subject to a number of conditions including approval of the Company's shareholders, TSX Venture Exchange approval of the transaction, listing the Company's security in the TSX Venture Exchange and raising funds in a concurrent financing.
- **December 1, 2021** – TTGI closed a \$1 million convertible promissory note and issued 500,000 warrants as consideration. See note 11 d) to the Company's Financial Statements.

### **Reverse Takeover Transaction**

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

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

Effective April 8, 2022, in connection with the Transaction, TNSI completed a brokered private placement of 5,910,627 subscription receipts at a price of \$0.56 per subscription receipt for gross proceeds of \$3,309,951. Each subscription receipt was automatically converted into one common share and one half of one common share purchase warrant. Each whole share purchase warrant is convertible at the option of the holder into one common share of the Company until April 8, 2027 at a price of \$0.75 per share.

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

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

As a result of the Transaction, the shareholders of TNSI, including the holders of the subscription receipts, gained control of the Company through the acquisition of approximately 97% of the common shares of the combined entity and the transaction has been accounted for as an RTO where TNSI is the accounting acquirer. Stock options and common share purchase warrants of TNSI were exchanged for the equivalent number of securities of the Company. Immediately prior to closing, TNSI had 66,492,926 common shares issued and outstanding after having given effect to the conversion of subscription receipts resulting in the issuance of 5,910,627 common shares and the conversion of a convertible note resulting in the issuance of 2,083,334 shares.

The RTO has been accounted for under IFRS 2 as a share-based payment transaction on the basis that RMR Science Technology Inc. was a Capital Pool Company and did not meet the definition of a business as it had no ongoing business operation.

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

This amount was calculated as follows:

Fair value of 2,047,155 shares of RMR Science Technology Inc.	\$ 1,146,407
Total fair value of consideration paid	\$ 1,146,407
Cash	24,487
GST receivable	15,726
Prepaid expense	4,095
Accounts payable and accrued liabilities	(203,624)
Net liabilities assumed	(159,316)
Consideration paid in excess of assets acquired:	1,305,723
Other listing expense:	
Legal and professional fees	434,331
Filing fees	58,409
Total listing expense	\$ 1,798,463

## 6. Future Plans and Outlook

Gartner forecasts the global SD-WAN market to reach USD\$34.9B by 2022 based on the cost-savings and performance increases companies gain by moving from traditional telecommunications-based MPLS services to Internet-based SD-WAN. TTGI provides the technology, infrastructure and services that Enterprise customers need to save money and increase performance.

### Plans

TTGI reports the following progress on activities planned for the three months ending December 31, 2022:

Plans for fiscal 2022	Progress to December 31, 2022
(a) Continue to grow sales through execution of the business plan	Revenues grew year over year by 30%
(b) Grow revenue and increase international reach and support capabilities by the acquisition of at least one company	Discussions with two different companies ongoing past December 31, 2022
(c) Complete its Public listing on the TSX Venture exchange	Completed

TTGI reports the following activities planned for the year ending September 30, 2023:

Plans for fiscal 2023
Continue to grow sales through execution of the business plan
Grow revenue and increase international reach and support capabilities by the acquisition of at least one company

## 7. Summary of Annual Results

Results for the Three Months ended December 31, 2022 and 2021 are as follows:

Income Statement Data (unaudited)	Three months December 31, 2022 Consolidated	Three months December 31, 2021 Consolidated
Revenue	\$ 1,293,613	\$ 1,227,439
Cost of good sold	(367,213)	(299,850)
Agent revenue (Included in Revenue)	28,487	Nil
Gross profit	926,400	927,589
Expenses	1,593,228	1,583,558
Loss before other income	(666,828)	(655,969)
Other income (loss)	267,876	(185,517)
Deferred income tax recovery	-	-
<b>Net comprehensive loss for the period</b>	<b>(398,952)</b>	<b>(833,334)</b>
Basic and diluted loss per common share	(0.01)	(0.01)
Weighted average number of common shares outstanding	68,865,009	57,693,234

### Revenue and Gross Margin

	Three months December 31, 2022 Consolidated	Three months December 31, 2021 <u>Consolidated</u>
	\$	\$
Revenue	1,293,613	1,227,439
Cost of goods sold	(367,213)	(299,850)
Agent Revenue (included in Revenue)	28,487	Nil
Gross profit	926,400	927,589

During the three months December 31, 2022 revenue increased by 5% over the prior period, while cost of goods sold increased by 22% over the prior period. This is partly due to the acquisition of TNET. The Company reported gross margin for the period of 72% compared with gross margin of 76% for the prior comparable period. Direct costs are comprised of commissions, service and support labour, and cost of goods sold. The Company expects it will maintain gross margin of over 80% for its SD-WAN recurring revenues.

### Expenses

Expenses for the three months December 31, 2022 increased by 1% over the prior period. This increase was due to a 29% increase in share-based compensation, a 19% increase in sales and marketing expense, a 65% increase in research and development expense, and a 362% increase in amortization, offset by a 45% decrease in general and administrative expense. The Company does not plan to increase expenses over the ensuing quarters.

### Refundable Tax Credits

The Government of Canada provides refundable tax credits to qualifying companies engaged in Scientific Research and Experimental Development (“SRED”) activities, as that term is defined in the Income Tax Act (Canada). The Company records 100% of its claim for such credits in profit or loss during the period in which the claim filed with the taxation authorities has been accepted and the tax credits have been received. Subsequent amendments or adjustments to such claims, if any, are recorded as they occur. The Company received an SRED refund of \$152,575 during the three months December 31, 2022 (2021 - \$Nil).

### Interest Expense

Interest expenses incurred for the three months ended December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Interest		
Lease obligations	\$ 25,375	\$ -
Loan payable	59,453	59,453
Loan payable	-	38,355
Promissory note	4,500	4,500
Accretion		
Accretion of CEBA loan payable	5,182	4,718
Accretion of loan payable	24,454	108,652
	\$ 118,964	\$ 215,678

## 8. Quarterly Highlights

	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	1,293,613	1,370,438	1,116,517	1,451,922	1,227,439	\$1,193,308	\$1,043,290	\$799,367
Gross Margin	926,400	1,038,438	830,511	907,383	927,589	903,121	801,518	648,238
Total Expenses	1,593,228	2,586,146	2,212,734	2,154,491	1,583,558	2,351,020	2,601,542	1,033,841
Other gain (loss)	267,876	231,824	(2,055,559)	(234,915)	(177,365)	(1,997,980)	(88,386)	(81,099)
Deferred income tax recovery	-	-	-	-	-	80,190	-	-
Net comprehensive income (loss)	(398,952)	(1,315,884)	(3,437,782)	(1,482,023)	(833,334)	(3,365,689)	(1,888,410)	(466,702)
Weighted average number of common shares outstanding	68,865,009	61,613,713	59,165,329	58,373,629	57,693,234	55,904,583	53,832,142	49,797,168
Basic and diluted loss per common share	(0.01)	(0.02)	(0.06)	(0.03)	(0.01)	(0.06)	(0.04)	(0.01)

It is anticipated that revenues and expenses may vary, perhaps materially, from quarter to quarter due to several factors, including changes in product mix, costs related to planned increase in market share, global expansion costs and ongoing corporate development initiatives. Although revenues may fluctuate from quarter to quarter, and such fluctuations may be material, management expects that revenues will increase year over year.

Revenue for the current quarter grew 5% over the same quarter last year, while expenses increased by 1%. The Company reported a combined profit margin of 72% for the quarter, compared to 76% for the same quarter last year. The Company expects its combined profit margin will remain relatively constant.

There are no known trends or seasonal impacts on the Company's business although seasonal trends may develop as the Company grows.

## 9. Summary of Financial Position

The Company's financial position as at December 31, 2022, compared with the Company's financial position as at September 30, 2022, is as follows:

Balance Sheet Data	December 31, 2022 (Consolidated)	September 30, 2022 (Consolidated)
	\$	\$
Current assets	1,228,456	1,300,675
Non-current assets	2,159,546	2,212,398
Current liabilities	4,038,960	3,884,578
Non-current liabilities	945,828	1,177,714

Assets as at December 31, 2022 decreased by 4% compared to the previous period due mainly to the decrease in current assets and right-of-use assets. At December 31, 2022, purchased goodwill and intangible assets comprised \$1,397,794 (September 30, 2022 - \$1,407,977), net of amortization and impairment, representing 41% (September 30, 2022 - 40%) of the Company's total assets.

Current assets decreased by 6% over the prior period due to 27% increase in cash, 2% decrease in current portion of prepaid expenses, and 18% increase in accounts receivable.

Current liabilities increased by 4% compared to the prior period, primarily due to a 14% increase in accounts payable and accrued liabilities and a 4% increase in lease liabilities, slightly offset by the decrease of 39% in due to related parties, and a 14% decrease in deferred revenue.

Long-term liabilities decreased by 20% from the prior period due to 61% decrease in derivative warrant liabilities, 5% decrease in lease liabilities, offset by a 3% increase in loans payable.

### Liquidity and Capital Resources

Until TTGI earns an operating surplus, it is reliant on its ability to raise capital in order to settle its debts as they come due. As at December 31, 2022, TTGI had a working capital deficiency of \$2,810,504 (September 30, 2022 - \$2,583,903). During the three months December 31, 2022, the Company incurred a net loss of \$395,952 (2021 - \$1,058,937).

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

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions.

A summary of the Company's obligations is as follows:

As at December 31, 2022	Carrying amount	Contractual cash flows	1 year or less	1-5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,586,523	1,586,523	1,586,523	-
Due to related parties	51,969	51,969	51,969	-
Promissory note	400,000	400,000	400,000	-
Loans payable	2,007,450	2,030,000	2,030,000	-
Lease payments	683,200	936,397	151,884	784,513
	4,729,142	5,004,889	4,220,376	784,513

As at September 30, 2022	Carrying amount	Contractual cash flows	1 year or less	1-5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,396,163	1,396,163	1,396,163	-
Due to related parties	85,871	85,871	85,871	-
Promissory note	400,000	400,000	400,000	-
Loans payable	2,002,268	2,030,000	2,030,000	-
Lease payments	708,308	986,880	202,367	784,513
	4,592,610	4,898,914	4,114,401	784,513

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

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

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

At December 31, 2022 the Company reported the carrying value of these loans at \$157,450 (September 30, 2022 - \$152,268) and recognized loan accretion for the three months December 31, 2022 of \$5,182 (2021 - \$4,718). As at December 31, 2022, the Company had not made any repayments of the CEBA loan.



On July 30, 2021, the Company entered into a loan agreement with two creditors (the “Lenders”) for a maximum principal amount of \$1,850,000 bearing interest at 12.75% per annum and maturing on July 30, 2024. The loans have certain financial covenants including, but not limited to, requiring the Company to maintain a minimum level of cash to fund operations and an escalating level of recurring revenue, failing which it may call its loans. Upon closing, the Company issued 1,730,797 share purchase warrants to the Lenders as additional compensation. Each share purchase warrant is exercisable at \$0.48 per warrant on or before July 30, 2027, subject to early expiry. In the event that the common shares of the Company trade on a public exchange at a 30-day volume weighted average price of \$1.25 per share, the Company may accelerate the expiry date of the warrants by giving 30 days written notice to the Lenders.

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

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

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

As of December 31, 2022, the Company is in default of the financial covenants of the loan. As a result, the loan may be called and required to be repaid. The loan has been recorded as a current liability at face value.

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

During the three months ended December 31, 2022, the Company recognized accretion expense of \$Nil (2021 – \$169,007) and interest expense of \$59,453 (2021 – \$Nil). As at December 31, 2022, a total of \$1,850,000 (September 30, 2022 – \$1,850,000) is outstanding for principal, net of unamortized discount of \$Nil (September 30, 2022 – \$Nil).

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

As further consideration for the promissory note the Company issued 500,000 share purchase warrants, each entitling the holder to acquire one common share of the Company at a price equal to the lesser of \$0.48 per share or 15% discount to the lowest equity issuance round up to and including the equity round of the qualifying transaction for a period of 36 months.

Effective April 8, 2022, the Company completed the equity round of the qualifying transaction at a price of \$0.56 per share, resulting in the warrant exercise price being fixed at \$0.48 per share.

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

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

The Company allocated \$634,742 to the embedded conversion feature of the promissory note, \$152,338 to the fair value of the 500,000 share purchase warrants, with \$96,695 expensed as financing costs and \$55,643 capitalized as debt issuance costs and \$365,258 to the liability component of the promissory note.

On April 4, 2022, the Company issued 2,083,334 common shares at a price of \$0.48 for conversion of the promissory note. On conversion of the promissory note the embedded conversion feature with a carrying value of \$709,112 was extinguished, the debt discount of \$51,733 was realized resulting in a gain on conversion of \$115,814. The 500,000 share purchase warrants remain outstanding as at December 31, 2022 at a carrying value of \$9,895.

The Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the Financial Statements at December 31, 2022, TTGI has an accumulated deficit of \$19,841,508 (September 30, 2022 - \$19,442,556) and negative cash flow from operating activities of \$99,938 (2021 - \$676,040). These factors, among others, indicate there are material uncertainties that may cast significant doubt as to the ability of the Company to continue as a going concern. Management believes that the proceeds from additional equity financing activities that it is currently pursuing, combined with revenue that the Company expects to generate in subsequent periods, will provide the Company with sufficient working capital to satisfy its liabilities and commitments as they become due for the foreseeable future. There can be no assurances that sufficient equity can be raised on acceptable terms on a timely basis.

## 10. Amalgamation

Effective October 1, 2020 the Company completed an amalgamation agreement pursuant to which five companies were amalgamated under the name of Turnium Technology Group Inc. All of the issued and outstanding common shares of the amalgamated companies were cancelled and 48,529,569 new common shares of TTGI were issued to the shareholders of the amalgamated companies as follows:

	Shares issued on Amalgamation
Multapplied Networks Inc. ("MNI")	27,464,705
Turnium Technology, Ltd.	Nil
Plait Networks Ltd	Nil
M.N.I. Investment Holdings Ltd	7,772,964
Turnium Technology Group Inc.	13,291,900

In addition, 4,436,000 outstanding options to purchase MNI common shares (“MNI Options”) were converted into 2,652,379 options to purchase common shares of the Company on a 0.59792308 to one basis with the same terms and conditions of the outstanding MNI Options including the exercise price and expiry date.

3,500,000 outstanding warrants exercisable into shares of MNI (“MNI Warrants”) were converted into 1,750,000 warrants to purchase common shares of the Company on a 0.5 to one basis with the same terms and conditions of the outstanding MNI Warrants except with an exercise price of \$0.30.

225,000 outstanding options to purchase 112,500 Turnium Technology Group Inc. common shares (“TTGI Options”) were converted into options to purchase common shares of the Company on a 0.5 to one basis with the same terms and conditions of the outstanding TTGI Options including the exercise price and expiry date.

The 2,261,617 outstanding warrants exercisable into shares of Turnium Technology Group Inc. were cancelled for no consideration.

## **11. Reverse Takeover**

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

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

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

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

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

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

As a result of the Transaction, the shareholders of TNSI, including the holders of the subscription receipts, gained control of the Company through the acquisition of approximately 97% of the common shares of the combined entity and the transaction has been accounted for as an RTO where TNSI is the accounting acquirer. Stock options and common share purchase warrants of TNSI were exchanged for the equivalent number of securities of the Company. Immediately prior to closing, TNSI had 66,492,926 common shares issued and outstanding after having given effect to the conversion of subscription receipts resulting in the issuance of 5,910,627 common shares and the conversion of a convertible note resulting in the issuance of 2,083,334 shares.

The RTO has been accounted for as a share-based payment transaction under IFRS 2 *Share-based Payment*, on the basis that RMR Science Technology Inc. was a Capital Pool Company and did not meet the definition of a business as it had no ongoing business operation.

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

This amount was calculated as follows:

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

## 12. Acquisition

### Acquisition of Tenacious Networks Inc.

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

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

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

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

The resulting goodwill represents the sales and growth potential of TNET and will not be deductible for tax purposes. The Company tests for impairment annually on September 30, and between annual tests if the Company becomes aware of an event or a change in circumstances that would indicate the carrying value may be impaired. The Company completed its annual impairment test and engaged an independent third party to assist with the valuation of the TNET business, including related goodwill and intangible assets, as of September 30, 2022, using the value in use basis. The valuation estimated the fair value of goodwill to be \$1,137,158 using an income approach with assumptions that are considered level 3 inputs and concluded that the carrying value of the TNET business exceeded its recoverable amount, resulting in a goodwill impairment of \$nil during the three months December 31, 2022 (2021 - \$1,444,869).

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

### **13. Related Party Transactions**

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

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

	Three months Ended December 31, 2022 \$	Three months Ended December 31, 2021 \$
Consulting*	92,500	305,732
Salaries and wages*	261,559	102,346
Share-based compensation	265,375	-

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

- a) During the three months ended December 31, 2022, the Company incurred \$Nil (2021 - \$108,000) in advisory fees and \$39,406 (2021 - \$77,100) in connectivity services to companies controlled by the previous CEO of the Company.
- b) During the three months ended December 31, 2022, the Company incurred \$75,000 (2021 - \$Nil) in salaries to the CEO of the Company.
- c) During the three months ended December 31, 2022, the Company incurred \$Nil (2021 - \$Nil) in advisory fees to a company controlled by the CEO of the Company.
- d) During the three months ended December 31, 2022, the Company incurred \$Nil (2021 - \$Nil) in advisory fees to a company controlled by the former President of TNET.
- e) As at December 31, 2022, the Company owed \$300,000 (September 30, 2022 - \$300,000) under a Promissory Note (Note 12(a)) to a company controlled by the former President of TNET and a company controlled by the previous CEO of the Company.
- f) During the three months ended December 31, 2022, the Company incurred \$37,500 (2021 - \$Nil) in consulting fees to the previous CTO of the Company.
- g) During the three months ended December 31, 2022, the Company incurred \$Nil (2021 - \$Nil) in consulting fees to a company owned by the CMO of the Company.
- h) During the three months ended December 31, 2022, the Company incurred \$34,229 (2021 - \$Nil) in salaries to the CMO of the Company.
- i) During the three months ended December 31, 2022, the Company incurred \$20,520 (2021 - \$Nil) in salaries to the previous COO of the Company.
- j) During the three months ended December 31, 2022, the Company incurred \$35,000 (2021 - \$Nil) in accounting fees to a company controlled by a former CFO of the Company
- k) During the three months ended December 31, 2022, the Company incurred \$38,767 (2021 - \$Nil) in salaries to a former CFO of the Company
- l) During the three months ended December 31, 2022, the Company incurred \$46,376 (2021 - \$Nil) in salaries to the previous CRO of the Company.
- m) During the three months ended December 31, 2022, the Company incurred \$46,667 (2021 - \$Nil) in salaries to the CRO of the Company.
- n) During the three months ended December 31, 2022, the Company incurred \$20,000 (2021 - \$Nil) in consulting fees to a company controlled by a director of the Company.

- o) During the three months ended December 31, 2022, the Company incurred \$Nil (2021 - \$45,000) in advisory fees to a director of the Company.

As at December 31, 2022, \$51,969 (September 30, 2022 – \$85,571) is payable to related parties and included in accounts payable and accrued liabilities. Prior year related party amounts were for advances; these amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

- a) As at December 31, 2022, the Company owed \$138,929 (September 30, 2022 - \$57,750) to the CEO of the Company. Amounts are unsecured, non-interest bearing and due on demand.
- b) As at December 31, 2022, the Company owed \$Nil (September 30, 2022 - \$171) to the previous COO of the Company. Amounts are unsecured, non-interest bearing and due on demand.
- c) As at December 31, 2022, the Company owed \$12,771 (September 30, 2022 - \$3,730) to companies controlled by previous CEO of the Company. Amounts are unsecured, non-interest bearing and due on demand.
- d) As at December 31, 2022, the Company owed \$12,500 (September 30, 2022- \$12,500) to the previous CTO of the Company. Amounts are unsecured, non-interest bearing and due on demand.
- e) As at December 31, 2022, the Company owed \$5,162 (September 30, 2022 - \$11,720) to a company controlled by the previous President of TNET. Amounts are unsecured, non-interest bearing and due on demand.
- f) As at December 31, 2022, the Company owed \$357 (September 30, 2022 - \$Nil) to a company controlled by the CEO of the Company.

#### **14. Off-Balance Sheet Arrangements**

As at the date of this MD&A, TTGI did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of TTGI, including, and without limitation, such considerations as liquidity and capital resources.

#### **15. Significant Accounting Policies**

##### *Cash and Cash Equivalents*

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

##### *Foreign Currency Transactions*

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

## *Financial Instruments*

### a. Recognition and initial measurement

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

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

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

### b. Classification and subsequent measurement

#### *Financial assets*

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

#### *Financial assets: Subsequent measurement and gains and losses*

Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statements of comprehensive loss. Any gain or loss on derecognition is recognized in the consolidated statements of comprehensive loss.

#### *Financial liabilities*

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statements of comprehensive loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statements of comprehensive loss. Any gain or loss on derecognition is also recognized in the consolidated statements of comprehensive loss. The Company's financial liabilities of accounts payable, due to related parties, promissory notes, loans payable, and lease liabilities are classified as measured at amortized cost, and derivative warrant liabilities are classified as FVTPL.



c. Derecognition

*Financial assets*

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its consolidated statements of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

*Financial liabilities*

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statements of comprehensive loss.

*Write-off*

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

*Impairment of Financial Assets*

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

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

### *Property and Equipment*

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

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

### *Intangible Assets*

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

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

### *Business Combinations and goodwill*

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

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

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

## *Revenue*

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

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

The Company has several sources of revenue.

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

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

Revenue from host/cloud services are generally earned over time and are recognized using the output method based on time elapsed. Revenue from the resale of hardware and software are generally earned at a point in time and is recognized when the product has been delivered to the customer. Revenue from the resale of software licenses are recognized at a point in time on a net amount basis, which is the amount billed to a customer less the amount paid to the software license provider. During the three months December 31, 2022, the Company recognized \$28,487 as agent revenues (2021 – \$Nil).

Payments received in advance are recorded as deferred revenue and brought into revenue at the beginning of each month as subscription time elapses or as services are delivered. At December 31, 2022, the Company recognized \$39,445 (September 30, 2022 - \$46,057) in deferred revenue represented by the pre-purchase of block hours for onsite and remote support not utilized by the end of the period along with the sale of hardware not delivered to the customer by the end of the period.

## *Impairment of Non-financial Assets*

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or “CGU”).

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

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

### *Leases*

For contracts entered into subsequent to October 1, 2019 at inception of the contract, the Company assesses whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the use of an identified asset. For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted by any initial direct costs, and costs to dismantle and remove the underlying asset less any lease incentives.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term.

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

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate.

The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the consolidated statement of comprehensive loss.

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

#### *Share-based Payments*

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

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

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

#### *Research and Development*

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

#### *Income Taxes*

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in the other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustments to income tax payable in respect of previous years. Current income taxes are determined using tax rates and laws that have been enacted or substantively enacted by the year-end date.

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

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

#### *Loss per Share*

*Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, the exercise of stock options and share purchase warrants is considered to be anti-dilutive and basic and diluted loss per share are the same. As at December 31, 2022, the Company has 13,055,173 (September 30, 2022 – 15,373,304) potentially dilutive shares which were anti-dilutive.*

#### *Refundable tax credits*

The Government of Canada provides refundable tax credits to qualifying companies engaged in Scientific Research and Experimental Development (“SRED”) activities, as that term is defined in the Income Tax Act (Canada). The Company records 100% of its claim for such credits in profit or loss during the period in which the claim filed with the taxation authorities has been accepted and the tax credits have been received. Subsequent amendments or adjustments to such claims, if any, are recorded as they occur. The Company received an SRED refund of \$152,575 (2021 - \$Nil) during the three months December 31, 2022.

#### *Convertible debts*

Convertible loans are separated into their liability and equity components on the consolidated financial statements of financial position. The liability component is initially recognized at fair value, determine as the net present value of future payments of interest and principal, discounted at the market rate for similar non-convertible liabilities at the time of issue. The liability component is recognized at amortized cost, using the effective interest method, until extinguished upon conversion or maturity.

If a security or instrument becomes convertible only upon the occurrence of a future event outside the control of the Company, or, is convertible from inception, but contains conversion terms that change upon the occurrence of a future event, then any contingent beneficial conversion feature is measured and recognized when the triggering event occurs and contingency has been resolved. The fair value of the equity component of the convertible loan is estimated using the residual method in which the difference between the face value of the instrument and the fair value of the debt component is allocated as the fair value of the equity component.

#### *Accounting for Government Grants and Disclosure of Government Assistance*

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

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

### *Warrants*

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

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

## **16. Accounting Standards and Amendments Issued but Not Yet Adopted**

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

## **17. Share Capital**

As at the date of this MD&A, the company had the following outstanding securities:

- a. 68,865,009 common shares issued and fully paid;
- b. 10,164,504 stock options with a weighted average exercise price of \$0.42 (As at September 30, 2022 - 11,141,766 with a weighted average exercise price of \$0.42);
- c. 9,030,585 share purchase warrants with a weighted average exercise price of \$0.48 (As at September 30, 2022 - 10,961,125 with a weighted average exercise price of \$0.52).

## 18. Risk Factors

### *Going Concern Assumption*

The Financial Statements of TTGI have been prepared in accordance with IFRS on a going concern basis, which presumes that TTGI will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. TTGI's continuation as a "going concern" is uncertain and is dependent upon, amongst other things, attaining a satisfactory revenue level, the support of its customers, its ability to continue profitable operations, the generation of cash from operations, and its ability to obtain financing arrangements and capital in the future. These material uncertainties represent risks to TTGI's ability to continue as a going concern and realize its assets and pay its liabilities as they become due. If the "going concern" assumption was not appropriate for the consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

### *Access to Capital*

From time to time, TTGI may need additional financing, including funding potential acquisitions. Its ability to obtain additional financing, if and when required, will depend on investor demand, TTGI's operating performance, the condition of the capital markets, and other factors. To the extent TTGI draws on its credit facilities, if any, to fund certain obligations, it may need to raise additional funds and TTGI cannot provide assurance that additional financing will be available to it on favorable terms when required, or at all. If TTGI raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of TTGI's common shares, and existing shareholders may experience dilution.

### *COVID-19*

Since June 2020, several measures have been implemented in response to the increased impact from novel coronavirus ("COVID-19"). We operate our Vancouver office in person and from remote work sites and are continuing software development and sales and marketing activities at this time. However, as the COVID-19 pandemic continues, the heightened economic uncertainty may have significant implications for the Company. We are taking actions to ensure the Company has adequate financing to mitigate the impact on our business in the event that future economic conditions reduce our ability to secure financing in fiscal 2023.

Our business is subject to the effects of general global and regional economic conditions. If global and/or regional economic and market conditions, or economic conditions in key markets, remain uncertain or deteriorate, we may experience material adverse impacts on our business.

Unfavorable and/or uncertain economic and market conditions may result in lower capital spending or delayed spending by our customers on cyber security and network monitoring, despite the higher incidence of cyber fraud, and adversely impact our revenue and increase credit risk.

### *Liquidity Risk*

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements. Management maintains sufficient cash to satisfy short-term liabilities in highly liquid investments. As at December 31, 2022 the Company had cash of \$445,485 (September 30, 2022 - \$608,969) to settle current liabilities of \$4,038,960 (September 30, 2022 - 3,884,578). The Company is dependent on its ability to raise capital to meet its financial obligations.



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

As at December 31, 2022	Carrying amount	Contractual cash flows	1 year or less	1-5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,586,523	1,586,523	1,586,523	-
Due to related parties	51,969	51,969	51,969	-
Promissory note	400,000	400,000	400,000	-
Loans payable	2,007,450	2,030,000	2,030,000	-
Lease payments	683,200	936,397	151,884	784,513
	4,729,142	5,004,889	4,220,376	784,513

### *Credit Risk*

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

Amounts receivable consists of trade receivable of \$619,070 (September 30, 2022 - \$525,196). To reduce the credit risk of amounts receivable, the Company regularly reviews the collectability of the amounts receivable to ensure there is no indication that these amounts will not be fully recoverable. As at December 31, 2022, the Company recognized a provision for bad debts of \$nil (September 30, 2022 - \$ nil) in accordance with IFRS 9, Financial Instruments. During the three months December 31, 2022, the Company recognized bad debts of \$Nil (2021 - \$Nil), which are included under general and administrative expenses on the consolidated statements of comprehensive loss.

### *Foreign Currency Risk*

The Company's functional currency is the Canadian dollar. Currency risk is the risk that the fair value of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company's head office and operating expenses are mainly denominated in Canadian dollars.

Some of the Company's revenue is denominated in US dollars. If the US dollar depreciates compared to the Canadian dollar revenue would decrease in Canadian dollars. The Company is exposed to foreign currency risk to the extent that the following monetary assets and liabilities are denominated in US dollars:

	December 31, 2022	September 30, 2022
	\$	\$
Balance in US dollars:		
Cash	123,619	128,365
Amounts receivable	229,913	123,828
Accounts payable	(32,590)	(21,381)
Net exposure	320,942	230,812
Balance in Canadian dollars:	386,228	291,204

A 10% change in the US dollar to the Canadian dollar exchange rate would impact the Company's net loss by approximately \$38,622 for the three months December 31, 2022 (September 30, 2022 – \$29,120).

**19. Commitments**

The Company had no significant commitments or contractual obligations with any parties respecting executive compensation, consulting arrangements, or other matters. Management services provided are on a month-to-month basis. The Company is committed to monthly lease payments for office premises leases.

The Company is also contractually committed to a schedule of loan and interest repayments and requirements under its loans and promissory notes outstanding.

**20. Subsequent Events**

There are no subsequent events to report at this time.