Unaudited condensed interim consolidated financial statements of

Martello Technologies Group Inc.

For the three and six months ended September 30, 2023, and 2022

Martello Technologies Group Inc.

"Notice to Reader"

The accompanying condensed unaudited interim consolidated financial statements of Martello Technologies Group Inc. for the three and six months ended September 30, 2023, and 2022 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditors.

Dated: November 21, 2023

"*Jim Clark*"
Jim Clark
Chief Financial Officer and Interim Chief Executive Officer

Martello Technologies Group Inc.

For the three and six months ended September 30, 2023 and 2022

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

Martello Technologies Group Inc.

Condensed interim consolidated statements of loss and comprehensive loss
For the three and six months ended September 30, 2023 and 2022
Unaudited
(In Canadian dollars)

	Notes	**September 30, 2023**	September 30, 2022	**September 30, 2023**	September 30, 2022
		(3 months ended)		(6 months ended)	
Income					
Sales	5,6	**$ 3,981,947**	$ 3,839,980	**$ 7,985,740**	$ 8,018,171
Cost of goods sold	6	**506,307**	491,283	**987,146**	954,191
Gross margin		**3,475,640**	3,348,697	**6,998,594**	7,063,980
Expenses					
Research and development	7	**1,301,806**	1,318,656	**2,671,004**	2,946,296
Sales and marketing	7	**1,373,829**	1,777,428	**2,825,322**	3,453,097
General and administrative	7	**1,002,635**	1,123,480	**1,985,360**	2,359,146
Depreciation	12	**63,788**	85,267	**128,375**	174,079
Amortization		**416,207**	383,760	**833,518**	780,248
		4,158,265	4,688,591	**8,443,579**	9,712,866
Loss from operations		**(682,625)**	(1,339,894)	**(1,444,985)**	(2,648,886)
Other income (expense)					
Interest income	13	**4,249**	3,108	**8,340**	6,154
Interest expense	11,12	**(379,045)**	(566,674)	**(879,359)**	(1,075,509)
Financing fees		**(57,974)**	(3,670)	**(75,437)**	(14,760)
Accretion of long-term debt	11	**(41,983)**	(41,229)	**(82,889)**	(62,775)
Gain on issuance of FedDev Loan		**48,883**	-	**48,883**	1,036,191
Revaluation of forward contract		**(97,257)**	(176,456)	**(23,154)**	(194,553)
Foreign exchange loss	17	**(53,952)**	(411,763)	**(152,666)**	(734,370)
Loss on investment	4	**(303,750)**	-	**(303,750)**	-
Other income		**(4,383)**	28,558	**12,996**	33,536
Loss before income tax		**(1,567,837)**	(2,508,020)	**(2,892,021)**	(3,654,972)
Income tax recovery		**2,304**	87,443	**118,938**	8,325
Net loss		**(1,565,533)**	(2,420,577)	**(2,773,083)**	(3,646,647)
Other comprehensive income (loss) that may					
reclassified to net income (loss):					
Cumulative translation adjustment		**(115,602)**	(243,142)	**(63,848)**	(1,058,067)
Pension plan remeasurement		**28,306**	-	**28,306**	95,232
Pension plan asset fair value adjustment		**-**	2,768	**-**	5,493
Total comprehensive loss		**(1,652,829)**	(2,660,951)	**(2,808,625)**	(4,603,989)
Weighted average shares outstanding	14	472,314,023	326,907,430	**440,390,946**	326,907,430
Basic and diluted					
Net loss per share from continuing operatior	8				
Basic and diluted		**$ (0.00)**	$ (0.01)	**$ (0.01)**	$ (0.01)
Net loss per share from discontinued operat	8				
Basic and diluted		**$ 0.00**	$ 0.00	**$ 0.00**	$ 0.00
Net loss per share, basic and diluted	8	**$ (0.00)**	$ (0.01)	**$ (0.01)**	$ (0.01)

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

Martello Technologies Group Inc.

Condensed interim consolidated statements of financial position
As at September 30, 2023 and March 31, 2023
Unaudited
(In Canadian dollars)

	Note	**September 30, 2023**	March 31, 2023
Assets			
Current assets			
Cash		**$ 4,065,577**	$ 2,117,652
Short-term investment		**102,926**	101,430
Trade and other accounts receivable	9	**3,299,147**	4,397,166
Investment tax credits and grants receivable	7	**1,033,001**	1,454,782
Prepaid expenses		**850,253**	1,308,980
Inventories		**21,551**	41,865
Foreign exchange forward contract asset		**-**	15,649
Total current assets		**9,372,455**	9,437,524
Intangible assets		**8,478,699**	9,549,724
Equipment and leasehold improvements		**82,392**	111,482
Right-of-use assets	12	**652,058**	751,625
Investment	4	**-**	303,750
Total assets		**18,585,604**	20,154,105
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10,17	**2,124,563**	2,986,302
Foreign exchange forward contract liability	20	**7,505**	-
Current portion of deferred revenue	5	**5,163,741**	5,755,227
Current portion of long-term debt	11,17	**23,001**	8,764,727
Current portion of lease obligation	12,17	**186,985**	175,721
Total current liabilities		**7,505,795**	17,681,977
Deferred revenue	5	**1,130,376**	1,753,579
Long-term debt	11,17	**8,928,584**	1,091,042
Lease obligation	12,17	**520,877**	610,268
Pension obligation	13	**130,540**	155,782
Deferred tax liability		**-**	128,964
Total liabilities		**18,216,172**	21,421,612
Shareholders' equity			
Share capital	14	**56,376,358**	52,115,617
Contributed surplus	14	**3,990,117**	3,805,294
Warrants	14	**2,319,977**	2,319,977
Accumulated other comprehensive income		**(585,823)**	(550,281)
Deficit		**(61,731,197)**	(58,958,114)
Total shareholders' equity		**369,432**	(1,267,507)
Total liabilities and equity		**18,585,604**	20,154,105

Approved by the Board on November 21, 2023 and signed on its behalf by:

Original signed "Colley Clarke" Director

Original signed "Don Smith" Director

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

Martello Technologies Group Inc.

Condensed interim consolidated statements of changes in shareholders' equity for the six months ended September 30, 2023 and 2022

(In Canadian Dollars)

	Notes	Shares outstanding	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive: Other	Accumulated other comprehensive: Cumulative translation adjustment	Deficit	Total shareholders' equity
		#	$	$	$	$	$	$	$
Balance at April 1, 2022		326,707,430	48,815,617	2,319,977	3,594,895	616,336	(1,902,323)	(33,768,515)	19,675,987
Net loss for the period		-	-	-	-	-	-	(3,646,646)	(3,646,646)
Pension plan settlement	13	-	-	-	-	95,232	-	-	95,232
Pension plan fair value adjustment	13	-	-	-	-	5,493	-	-	5,493
Other comprehensive income		-	-	-	-	-	(1,058,067)	-	(1,058,067)
Total comprehensive loss for the period		-	-	-	-	100,725	(1,058,067)	(3,646,646)	(4,603,988)
Share-based compensation	14	-	-	-	137,770	-	-	-	137,770
Balance as at September 30, 2022		**326,707,430**	**48,815,617**	**2,319,977**	**3,732,665**	**717,061**	**(2,960,390)**	**(37,415,161)**	**15,209,769**
Balance at April 1, 2023		392,707,430	52,115,617	2,319,977	3,805,294	901,364	(1,451,645)	(58,958,114)	(1,267,507)
Net loss for the period		-	-	-	-	-	-	(2,773,083)	(2,773,083)
Pension plan settlement	13	-	-	-	-	28,306	-	-	28,306
Other comprehensive income		-	-	-	-	-	(63,848)	-	(63,848)
Total comprehensive loss for the period		-	-	-	-	28,306	(63,848)	(2,773,083)	(2,808,625)
Issuance of common stock		86,000,000	4,300,000	-	-	-	-	-	4,300,000
Less: Transaction costs attributable to share issuance		-	(39,259)	-	-	-	-	-	(39,259)
Share-based compensation	14	-	-	-	184,823	-	-	-	184,823
Balance as at September 30, 2023		**478,707,430**	**56,376,358**	**2,319,977**	**3,990,117**	**929,670**	**(1,515,493)**	**(61,731,197)**	**369,431**

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

Martello Technologies Group Inc.

Condensed interim consolidated statements of cash flows
For the six months ended September 30, 2023 and 2022
(in Canadian Dollars)

	Note	September 30, 2023	September 30, 2022
Operating activities			
Net loss from continuing operations before income tax		**$ (2,892,021)**	$ (3,654,972)
Items not affecting cash:			
Depreciation	12	**128,375**	174,079
Amortization of intangible assets		**833,518**	780,248
Amortization of debt issuance cost		**115,139**	286,607
Decrease in fair value of hedge liability		**23,154**	194,304
Loss on investment	4	**303,750**	-
Accretion of long-term debt	11	**82,889**	62,775
Gain on issuance of FedDev Loan		**(48,883)**	(1,036,191)
Share-based compensation	14	**184,823**	137,770
Deferred share units compensation	14	**(1,406)**	61,328
Defined benefit plan expense	13	**28,175**	52,408
Lease interest expense	12	**45,791**	39,977
Gain on termination of lease		**-**	(27,379)
Accrued interest expense	11	**385,837**	30,318
Accrued interest on Guaranteed investment contract		**(1,496)**	-
Unrealised foreign exchange loss		**75,722**	818,602
Net change in operating components of working capital	15	**27,166**	(247,549)
Total cash flows used in operating activities		**(709,467)**	(2,327,675)
Investing activities			
Sale of short-term investments		**-**	165,000
Additions to equipment and leasehold improvements		**-**	(9,647)
Total cash flows provided by investing activities		**-**	155,353
Financing activities			
Proceeds from issuance of common stock	14	**4,300,000**	-
Common stock issuance costs		**(39,259)**	-
Proceeds from long-term debt	11	**5,215,632**	3,880,133
Debt issuance costs		**(81,248)**	(24,465)
Repayment of long-term debt	11	**(6,578,709)**	(2,092,133)
Repayment of lease obligations	12	**(133,293)**	(159,157)
Total cash flows provided by financing activities		**2,683,123**	1,604,378
Net change in cash		**1,973,656**	(567,944)
Cash, beginning of period		**2,117,652**	4,853,218
Effects of currency translation on cash		**(25,731)**	(45,762)
Cash, end of period		**4,065,577**	4,239,512

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

1. Corporate information

Martello Technologies Group Inc. (the "Corporation") is a provider of digital experience monitoring (DEM) solutions. The Corporation's common shares are traded on the TSX Venture Exchange ("TSXV") under the trading symbol MTLO.

On April 1, 2021, Martello Technologies Corporation amalgamated with Savision Canada Limited and Elfiq Inc. (the "Amalgamating Corporations") to form an amalgamated corporation, called Martello Technologies Corporation (the "Amalgamated Corporation"). Martello Technologies Corporation is a wholly owned subsidiary of the Corporation. All the properties and assets of the Amalgamating Corporations were continued as the properties and assets of the Amalgamated Corporation and the Amalgamated Corporation is liable, and will continue to be liable, for the obligations of Martello Technologies Corporation and the other Amalgamating Corporations to their creditors.

Effective March 31, 2023, Martello Technologies Corporations amalgamated GSX Groupware Solutions, Inc and Savision, Inc, and dissolved Martello Technologies Incorporated. Subsequently, the surviving entity was renamed to Martello Technologies US, Inc.

On June 30 2023, Netvitesse SAS merged into GSX Groupware Solutions, SARL effective April 1, 2023 and the entity was renamed as Martello Technologies France.

2. Basis of preparation and accounting policies

The condensed interim consolidated financial statements have been prepared under the going concern assumption and using the historical cost basis, except for foreign exchange forward contracts which are measured at fair market value.

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting,* and should be read in conjunction with the Corporation's most recent annual audited consolidated financial statements, which are for the year ended March 31, 2023.

Significant accounting policies

The significant accounting policies used in preparing these condensed interim consolidated financial statements are the same as those disclosed in note 2.3 of the Corporation's annual audited consolidated financial statements for the year ended March 31, 2023.

In the year-ended March 31, 2023 financial statements, Note 2 described the circumstances which create material uncertainties that lent substantial doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

On August 8, 2023, the Company was able to execute its refinancing including both operational cash and debt restructure. Martello secured $2.5M additional cash (via equity) for operational purposes and refinancing of the existing loan with Vistara by paying the remaining balance with an amended and restated loan agreement with WCI. The A&R WCI loan has a maturity date of Aug 28, 2026. Due to these events, Management concludes that the material uncertainty for September 30, 2023 is alleviated and therefore there are no conditions casting significant uncertainty upon entity's ability to continue as going concern.

3. Significant judgments and estimates

The preparation of the Corporation's condensed interim consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities, and the disclosure of contingent liabilities, at each reporting date. The outcome of these uncertainties about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The judgments, estimates and assumptions applied in the preparation of these condensed interim consolidated financial statements are the same as those disclosed in note 3 to the 2022 annual audited consolidated financial statements.

4. Fair value measurement

The carrying amounts of the Corporation's cash, short-term investment, trade and other receivables, investment tax credits and grants receivable, foreign exchange contract, accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments. The line of credit is a demand instrument at a variable rate and therefore the carrying amount approximates fair value. The market interest rates that would apply to the Corporation's long-term debt is not significantly different from the effective interest rates used to amortize these debts. Therefore, the carrying amounts are comparable to fair values.

Long-term debt is measured using observable interest rates at initial recognition and is categorized within Level 2 of the fair value hierarchy. The fair value of foreign exchange forward contracts, which were entered into on November 3,2020 represented a net liability of $7,505 at September 30, 2023 (March 31, 2023 – net asset of $15,649). The fair value is estimated using a market approach with forward exchange rates observable at the end of the reporting period and contract forward rates as inputs. Forward contracts are categorized within Level 2 of the fair value hierarchy. The hierarchy is described in Note 20 of the March 31, 2023 annual audited consolidated financial statements.

The investment in shares of Adaptiv is a financial asset measured at fair value through profit and loss and is determined to be a level 3 investment. In October 2023 upon receipt of the audited financial statements, management determined that a write down of the value as at September 30, 2023 was appropriate accounting treatment.

5. Revenue

The geographic location of revenues, based on the location of the Corporation's customers, is as follows:

	3 Months Ended		6 Months Ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
	$	$	**$**	$
Revenue for the period ended				
Canada	**1,384,171**	1,402,439	**2,772,734**	2,772,901
United States	**978,738**	955,401	**1,970,643**	2,076,636
Europe	**1,370,840**	1,245,301	**2,738,181**	2,713,126
Asia	**89,363**	64,944	**179,730**	145,717
Latin America	**143,415**	12,826	**29,779**	17,665
Australia	**15,025**	156,976	**291,948**	287,868
Other	**395**	2,093	**2,725**	4,258
Total revenue	**3,981,947**	3,839,980	**7,985,740**	8,018,171

Revenue (continued)

The Corporation's revenue can be analyzed by type and by basis of their recognition, as follows for the three and six-month periods ended:

	3 Months Ended		6 Months Ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
	$	$	**$**	$
Revenue at a point in time				
Hardware	**4,522**	659	**31,172**	4,969
Training and professional services	**29,679**	17,923	**36,383**	37,487
Revenue recognized over time				
Subscription licenses	**3,524,415**	3,321,773	**7,058,879**	6,940,080
Maintenance and support	**391,323**	472,211	**794,447**	980,296
Term licenses	**32,008**	27,414	**64,859**	55,339
Total revenue	**3,981,947**	3,839,980	**7,985,740**	8,018,171

At each reporting date, there are no unfulfilled performance obligations extending beyond a year for which the Corporation has not collected funds or deposits.

Deferred revenue is comprised of the following:

	September 30, 2023	March 31, 2023
	$	$
Current portion of deferred revenue		
Subscription licenses	**4,209,758**	4,467,652
Maintenance and support	**832,017**	1,162,361
Term licenses	**115,686**	125,214
Long-term portion of deferred revenue		
Subscription licenses	**706,595**	1,099,493
Maintenance and support	**274,999**	437,735
Term licenses	**155,062**	216,351
Total deferred revenue	**6,294,117**	7,508,806

Non-current assets by geographic area are as follows:

	September 30, 2023	March 31, 2023
	$	$
Canada	683,172	738,245
Netherlands	2,490,102	2,722,095
Switzerland	6,343,625	7,252,184
Other	-	4,057
Total non-current assets	**9,516,899**	10,716,581

6. Operating segment information

The Corporation has assessed that it operates in two operating segments, those being Modern Workplace Optimization and Mitel. These operating segments engage in business activities from which they earn revenues from subscription and perpetual software licenses, hardware, maintenance and support, and training and professional services.

Three months ended September 30, 2023	Modern Workplace Optimization $	Mitel $	Total $
Revenue at a point in time			
Hardware	-	4,522	4,522
Training and professional services	28,683	997	29,681
Revenue recognized over time			
Subscription licenses	1,781,393	1,743,020	3,524,413
Maintenance and support	383,466	7,857	391,323
Term licenses	32,008	-	32,008
Total revenue	**2,225,550**	**1,756,396**	**3,981,947**

Six months ended September 30, 2023	Modern Workplace Optimization $	Mitel $	Total $
Revenue at a point in time			
Hardware	-	31,172	31,172
Perpetual licenses	-	-	-
Training and professional services	34,918	1,466	36,384
Revenue recognized over time			
Subscription licenses	3,557,738	3,501,141	7,058,879
Maintenance and support	779,746	14,700	794,446
Term licenses	64,859	-	64,859
Total revenue	**4,437,261**	**3,548,479**	**7,985,740**

Three months ended September 30, 2022	Modern Workplace Optimization $	Mitel $	Total $
Revenue at a point in time			
Hardware	-	659	659
Training and professional services	16,316	1,607	17,923
Revenue recognized over time			
Subscription licenses	1,603,269	1,718,504	3,321,773
Maintenance and support	462,997	9,214	472,211
Term licenses	27,414	-	27,414
Total revenue	**2,109,996**	**1,729,984**	**3,839,980**

Operating segment information (continued)

Six months ended September 30, 2022	Modern Workplace Optimization $	Mitel $	Total $
Revenue at a point in time			
Hardware	-	4,969	4,969
Training and professional services	30,781	6,706	37,487
Revenue recognized over time			
Subscription licenses	3,486,228	3,453,852	6,940,080
Maintenance and support	961,868	18,428	980,296
Term licenses	55,339	-	55,339
Total revenue	**4,534,216**	**3,483,955**	**8,018,171**

Sales and gross margin for the three and six months ended is as follows:

Three months ended September 30, 2023	Modern Workplace Optimization $	Mitel $	Total $
Sales	2,225,551	1,756,396	**3,981,947**
Cost of goods sold	258,876	58,051	**316,927**
Gross margin	1,966,675	1,698,345	**3,665,020**

Six months ended September 30, 2023	Modern Workplace Optimization $	Mitel $	Total $
Sales	4,437,261	3,548,479	**7,985,740**
Cost of goods sold	867,851	119,295	**987,146**
Gross margin	3,569,410	3,429,184	**6,998,594**

Three months ended September 30, 2022	Modern Workplace Optimization $	Mitel $	Total $
Sales	2,109,996	1,729,984	**3,839,980**
Cost of goods sold	449,161	42,122	**491,283**
Gross margin	1,660,835	1,687,862	**3,348,697**

Operating segment information (continued)

Six months ended September 30, 2022	**Modern Workplace Optimization**	**Mitel**	**Total**
	$	**$**	**$**
Sales	4,141,356	3,483,955	**7,625,311**
Cost of goods sold	672,199	75,863	**748,062**
Gross margin	3,469,157	3,408,092	**6,877,249**

7. Additional disclosures related to the statements of loss and comprehensive loss

i. Research and development expense for the three and six months ended September 30, 2023, on the condensed interim consolidated statements of loss and comprehensive loss is recognized net of investment grants of $Nil, (September 30, 2022 - $Nil and $Nil, respectively) and investment tax credits recognized of $130,004 and $288,751, respectively (September 30, 2022 - $272,628 and $462,745)

The Corporation has investment tax credits receivable of $1,033,001 as of September 30, 2023 (March 31, 2023 – $1,454,782) which are earned as a result of qualifying Scientific Research and Experimental Development expenditures. The investment tax credits are recognized when the expenditures are made, and their realization is reasonably assured.

ii. For the three and six months ended September 30, 2023, the total staff expenses are $2,845,585 and $5,871,62, respectively (September 30,2022 – $3,446,590 and $6,726,688 respectively).

8. Loss per share

Basic loss per share amounts are calculated by dividing net loss for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted loss per share amounts are calculated by dividing the net loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares, if any, that would be issued on conversion of all the dilutive potential effects.

As at September 30, 2023 and 2022, all instruments were anti-dilutive.

The following securities could potentially dilute basic net loss per share in the future but have not been included in diluted loss per share because their effect was anti-dilutive.

	Sep 30, 2023	Sep 30, 2022
	#	#
Share options	**35,609,746**	26,710,389
Warrants	**-**	49,148,201
Broker compensation unit options	**-**	3,018,575
	35,609,746	78,877,165

9. Trade and other accounts receivable

The movements in the expected credit losses is as follows:

Movements in the expected credit losses	**September 30, 2023**	March 31, 2023
	$	$
Balance, beginning of period	**-**	18,481
Trade receivables written off	**-**	(18,481)
Balance, end of the period	**-**	-

The aging analysis of trade and other accounts receivable is as follows:

			Past due but not impaired			
	Total	**Neither past due nor impaired**	**< 30 days**	**30-60 days**	**60-90 days**	**over 90 days**
September 30, 2023	**3,299,147**	3,244,126	55,021	-	-	-
March 31, 2023	4,397,166	3,853,313	506,191	30,996	6,666	-

10. Accounts payable and accrued liabilities

	September 30, 2023	March 31, 2023
	$	$
Trade payables	**385,235**	828,155
Accrued key management compensation	**412,150**	338,643
Accrued professional fees	**327,722**	499,268
Salaries, benefits, and vacation payable	**694,911**	870,319
Commissions payable	**50,575**	29,632
Taxes payable	**100,274**	110,585
Other Payables	**153,696**	309,700
Total	**2,124,563**	2,986,302

11. Debt

	September 30, 2023	March 31, 2023
	$	$
FedDev loan; advanced to support the commercialization of the Corporation's activities; non-interest bearing, unsecured and repayable in increasing monthly payments between January 2018 and October 2023. The effective interest rate is 10%.	**23,001**	151,186
Vistara Technology Growth Fund III Limited Partnership ("Vistara"), US $8,000,000 subordinated secured term loan; repayable within 40 months of closing and carries interest at the greater of: (i) 12.50% per annum; and (ii) the U.S. prime rate plus 8.75% per annum calculated monthly in arrears on the outstanding principal. The loan was fully repaid on August 9, 2023.	**-**	6,388,451
FedDev loan - Jobs and Growth; advanced to support the commercialization of the Corporation's activities; non-interest bearing, unsecured and repayable in increasing monthly payments between October 2024 and September 2030. The incremental borrowing rate is 13.85%.	**1,227,620**	1,091,042
Wesley Clover International Loan: US 5,292,031 subordinated term loan advanced in three tranches in August 2022 ,May 2023 and Aug 2023 to pay down the Vistara loan, interest accrued at US Prime plus 8.75% and to be paid at loan maturity on Aug 28, 2026. The effective interest rate is 29.4%.	**7,700,965**	2,225,090
Total long-term debt	**8,951,586**	9,855,769
Amounts due within one year	**(23,001)**	(8,764,727)
Long-term debt	**8,928,584**	1,091,042

On August 8, 2023, the Company received loan proceeds from WCI for US $3,000,000, which were used to pay off the remaining outstanding principal and interest balance of the Vistara loan. As such, total loan balance of the WCI loan since inception is US $5,292,030 plus accrued interest. In addition, the maturity date on the existing loan was amended to August 28, 2026.

On August 9, 2023, the Company paid the remaining principal and interest balance outstanding of US $3,011,342 to Vistara Technology Growth Fund III Limited Partnership.

12. Right-of-use assets

Right-of-use asset:	$
Balance at March 31, 2023	751,625
Additions	11,621
Depreciation for the period	(101,664)
Foreign exchange translation	(9,524)
Balance at September 30, 2023	**652,058**

Lease obligation:	$
Balance at March 31, 2023	785,989
Additions	11,621
Interest expense	45,791
Payments	(133,293)
Foreign exchange translation	(2,246)
Balance at September 30, 2023	**707,862**

For the three and six months ended September 30, 2023, the Corporation recognized $50,978 and $101,664, respectively (2022 - $64,961 and $132,653) as depreciation on right-of-use assets, and $22,522 and $45,791, respectively (2022 - $20,110 and $39,977) as interest expense on the lease liability.

In applying the practical expedient for short-term leases, the Corporation has excluded rent payments of $79,848 (2022 - $64,794) from the right-of-use asset and lease liability calculations.

Upon acquisition of GSX, the Company recognized two leases for GSX Participations SA and its wholly owned subsidiary, Sàrl GSX Groupware Solutions. GSX Participations SA lease commenced January 2019 and expires in December 2025 with an incremental borrowing rate of 2.47%. This lease was terminated when GSX Participations SA moved to a smaller office. A new lease for the new office commenced in August 2022 and runs through to August 2027 with an incremental borrowing rate of 14.08%. Sàrl GSX Groupware Solutions lease commenced January 2019 and expires February 2025 with an incremental borrowing rate of 3.18%.

The Corporation had entered into a 5-year lease for office premises in Kanata, Ontario, Canada commencing March 1, 2017 extending through to February 28, 2022. The lease was subsequently renewed, and the new maturity date is February 28, 2028 with an incremental borrowing rate of 14.08%.

The Corporation has applied judgment in the process of applying IFRS 16 and determining the appropriate lease term on a lease-by-lease basis, which has a significant effect on the measurement of the lease liability and right-of-use assets recognized. Management considers many factors including any events that create an economic incentive to exercise a renewal option including expected future performance and past business practice. The Corporation has also exercised judgment in determining the incremental borrowing rate based on the term, security, the lessee entity's economic environment, credit rating, level of indebtedness and asset specific adjustments.

13. Defined benefits retirement plan

For the three and six months ended September 30, 2023, the Corporation recognized $12,389 and $26,532, respectively (for three and six months ended September 30, 2022 - $19,852 and $50,743) in current service cost. Net interest expense of $828 and $1,643 were recognized for the three and six-month periods ended September 30, 2023, respectively (for three and six months ended September 30, 2022 – $840 and $1,666). The current service cost is included in operating expenses on the condensed interim consolidated statements of loss and comprehensive loss. The net interest income/expense is included in interest expense.

Defined benefits retirement plan (continued)

At September 30, 2023, the Plan was in a deficit position of $130,540 (March 31, 2023 - $155,782). The movements in Defined benefit obligation for the period ending September 30, 2023, are as follows:

	$
Defined benefit obligation at April 1, 2023	759,880
Current service cost	26,532
Interest cost	8,462
Foreign exchange translation	4,453
Participant contributions	11,152
Benefits paid	(141,919)
Defined benefit obligation Sept 30, 2023	**668,560**

The movements in Plan assets for the period ending September 30, 2023, are as follows:

	$
Plan assets at April 1, 2023	604,098
Interest income	6,819
Participant contributions	11,152
Employer contributions	26,021
Foreign exchange translation	3,543
Benefits paid	(113,613)
Fair value of pension plan Sept 30, 2023	**538,020**

The weighted average duration of the obligation at September 30, 2023, which relates to active members, is 16.9 years.

The Corporation expects to make contributions to the Plan totaling $57,603 during the next 12 months.

14. Equity instruments

i. *Common Shares*

On January 24, 2023, the Corporation entered into a private placement for shares with Terence H. Matthews through Wesley Clover International Corporation to issue 48,000,000 common shares in four equal tranches to occur in March, April, May and June for total proceeds of $2,400,000. The Company received the 3 last tranches in April, May and June of 2023 in exchange for a total of 36,000,000 common shares.

ii. *Warrants*

During the six months ended September 30, 2023, and 2022, no warrants were issued and exercised. At September 30, 2023 the Corporation has no outstanding warrants.

iii. *Share-based payments*

The Corporation has a stock option plan (the “Plan”) open to certain members of management, employees and consultants. Unless otherwise determined by the Board of Directors, options issued under the Plan vest over a three-year period and have expiry dates which are 5 years from issuance. The maximum number of common shares reserved for issuance of options that may be granted under the Plan is 10% of the total outstanding common shares of the Corporation, calculated on a fully diluted basis.

Equity instruments (continued)

The following table summarizes the continuity of options issued under the Plan:

	Option exercise price	Total
	$	#
Balance outstanding at March 31, 2022	0.06-0.38	24,321,389
Granted	0.05	5,615,000
Forfeited	0.06-0.38	(6,406,834)
Expired	0.11	(1,440,000)
Balance outstanding at March 31, 2023	0.05-0.38	22,089,555
Granted	0.05	18,635,000
Forfeited	0.05-0.38	(1,338,809)
Expired	0.13	(3,776,000)
Balance outstanding at September 30, 2023	**0.05-0.38**	**35,609,746**
Options exercisable:		
At September 30, 2023	**0.05-0.38**	**4,496,068**
At March 31, 2023	0.05-0.38	6,930,658

Grant date	Option exercise price	Number exercisable	Remaining life
	$	#	Years
January 18, 2019	0.335	20,000	0.30
February 28, 2019	0.380	63,000	0.41
November 26, 2019	0.330	1,245,079	1.16
July 28, 2020	0.195	135,000	1.83
August 31, 2020	0.205	1,088,667	1.92
November 20, 2020	0.220	69,333	2.14
June 30, 2021	0.135	13,333	2.75
September 8, 2021	0.190	66,666	2.94
November 3, 2021	0.190	66,666	3.10
January 13, 2022	0.100	249,998	3.29
May 2, 2022	0.050	500,000	3.59
January 12, 2023	0.050	978,326	4.29
February 14, 2023	0.050	-	4.38
May 29, 2023	0.050	-	4.67
Weighted average	0.185		2.15
Total		4,496,068	

At September 30, 2023, the fair value of share-based compensation to be recognized as an expense in future periods totaled $522,835 (March 31, 2023 - $164,777).

In determining the amount of share-based compensation, the Corporation uses the Black-Scholes option pricing model to establish the fair value of options granted. There were 18,635,000 options granted in the six months ended September 30, 2023. The fair value of options granted in the six months ended

Equity instruments (continued)

September 30, 2023 was established by applying the following assumptions:

	September 30, 2023
Fair market value on grant date	$0.05
Exercise price	$0.05
Risk-free interest rate	3.83%
Expected life in years	3.5
Expected dividend yield	0%
Volatility	85.01%
Fair value of options issued in the periods	0.03

Volatility was determined by using the historical volatility of the stock of comparable companies over a 3.5-year period. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero-coupon Canada government bonds with a remaining term equal to the expected life of the options.

15. Supplementary cash flow information

The net change in the operating components of working capital is as follows:

	Note	**September 30, 2023**	September 30, 2022
		$	$
Net change in operating components of working capital:			
Trade and other accounts receivable	9	**1,060,933**	231,802
Investment tax credits and grants receivable	7	**397,079**	(450,708)
Prepaid expenses		**442,839**	(291,519)
Inventories		**20,314**	2,849
Accounts payable and accrued liabilities	10	**(845,340)**	318,832
Deferred revenue	5	**(1,048,659)**	(58,805)
Total		**27,166**	(247,549)

16. Related party transactions and balances

During the period, the Corporation entered into the following transactions with related parties in the normal course of operations.

i. For the six months ended September 30, 2023, the Corporation paid rent to Wesley Clover International Corporation, which is reflected as depreciation of right-of-use assets of $17,346 and $34,693 for the three and six-month period, respectively, (September 30, 2022 – $17,346 and $34,693, respectively).

ii. A second tranche of the WCI loan was received on May 25, 2023 for US $792,031 to repay the Vistara loan and the loan term was extended to May 28, 2024. Further on August 8, 2023, the third tranche of the WCI loan was received for US $3,000,000 to pay off the Vistara loan in full and it was agreed to extend the WCI loan maturity to August 28, 2026. Interest on the WCI loan accrue on the same terms as that of Vistara and will be paid at the maturity of the loan on August 28, 2026. For the three and six months ended September 30, 2023, interest of $ 273,828 and $388,094 respectively (September 30, 2022 – $Nil) were accrued and recorded on the interim consolidated statement of loss and comprehensive loss.

iii. For the three and six months ended September 30, 2023 expense of $Nil and $14,000 respectively

Related party transactions and balances (continued)

(September 30,2022 – $Nil) were recorded in the interim consolidated statements of loss and comprehensive loss for procuring development, security, operations and technical services to Wesley Clover Services North America. Included in accounts payable and accrued liabilities as at September 30, 2023 is an accrual of $Nil (March 31, 2023 - $14,000).

iv. Included in accounts payable and accrued liabilities as at September 30, 2023 are balances totaling $412,150 (March 31, 2023 - $338,643) due to key management personnel for compensation and earned vacation pay.

v. The chairman of Wesley Clover International Corporation, a shareholder of the Corporation.

vi. The remuneration of directors and key management personnel during the three-and six-month periods ended September 30 was as follows:

	September 30 2023	September 30 2022	**September 30 2023**	September 30 2022
	$	$	**$**	$
Salaries, wages and bonuses	**544,636**	436,910	**1,169,129**	808,353
Other employee benefits	**13,184**	12,784	**26,335**	24,723
Share-based compensation	**79,774**	(7,756)	**125,774**	114,083
Total	**637,594**	441,938	**1,321,238**	947,159

17. Financial risk management objectives and policies

There have been no significant changes to the nature and magnitude of risk exposures and to management's objectives and processes for managing them since the prior period.

Credit risk

Trade receivables at September 30, 2023 are presented net of an allowance for doubtful accounts of $Nil (March 31, 2023 - $Nil). The Corporation's largest customer, which is included in the Mitel operating segment, accounted for revenue of $1,694,738 and $3,420,904 or approximately 43% of total revenue, for the three and six months ended September 30, 2023 (three and six months ended September 30, 2022 - $1,666,329 and $3,357,698 or 43% and 42%, respectively). At September 30, 2023 the account receivable from this customer totaled $1,262,652 (March 31, 2023 - $1,348,377). The Corporation maintains strict credit policies and limits in respect to counterparties.

Liquidity risk

The following table summarizes the maturities of financial instruments by the fiscal year on an undiscounted basis, including interest payments, as at September 30, 2023:

	2024	**2025**	**2026**	**2027**	**2028**	**Thereafter**	**Total**
$	**$**	**$**	**$**	**$**	**$**		**$**
Accounts payable and accrued liabilities	2,124,563	-	-	-	-	-	**2,124,563**
Lease obligation	132,879	265,758	185,784	185,784	139,085	-	**909,290**
Debt liabilties	23,001	90,000	240,000	7,437,156	476,664	1,333,336	**9,600,157**
Total	**2,280,443**	**355,758**	**425,784**	**7,622,940**	**615,749**	**1,333,336**	**12,634,010**

Foreign currency risk

For the three and six months ended September 30, 2023, 99% of revenue were in foreign currencies (September 30, 2022 – 99% of revenue). For the three and six months ended September 30, 2023, 30% and 33% of expenses were in foreign currencies (September 30, 2022 – 37% and 41%).

Financial risk management objectives and policies (continued)

The Corporation's exposure to the risk of changes in foreign exchange rates relates primarily to the Corporation's operating activities, when revenue and expense transactions are denominated in a currency other than the Canadian dollar, the Corporation's functional currency. The Corporation's net exposure to the USD and EUR is denominated in CAD and is summarized in the following table:

	September 30, 2023	March 31, 2023	**September 30, 2023**	March 31, 2023
	USD	USD	**EUR**	EUR
Cash and restricted cash	**1,900,513**	956,577	**533,745**	172,887
Trade and other accounts receivable	**2,145,782**	3,245,689	**1,465,080**	1,104,804
Accounts payable and accrued liabilities	**(3,325,111)**	(3,162,733)	**(973,023)**	(1,213,660)
Foreign exchange forward contract asset (liability)	**(7,505)**	15,649	**-**	-
Long-term debt	**(7,949,024)**	(8,900,649)	**-**	-
Net exposure	**(7,235,345)**	(7,845,467)	**1,025,802**	64,031

A 10% change of the US$ against the CAD$ at September 30, 2023 would have increased or decreased net loss by $620,954 (March 31, 2023: $778,143).

18. Capital management

Management defines capital as total shareholders' equity. The Board of Directors has not established capital benchmarks or other targets. There have been no changes in the Corporation's approach to capital management during the six months ended September 30, 2023. The Corporation will continually assess the adequacy of its capital structure and capacity and make adjustments within the context of the Corporation's strategy, economic conditions, and the risk characteristics of the business.

19. Commitments

The Corporation entered into a 5-year lease for office premises in Kanata, Ontario, Canada commencing March 1, 2017, extending through to February 28, 2022. The lease was subsequently renewed, and the new maturity date is February 28, 2028. The lease is with a related party, as described in note 16 Related party transactions and balances. Total non-lease expense expected for the year-ending March 31, 2024 is $51,238.

On August 24, 2021, the Company signed a consumption commitment with Microsoft to use $4,000,000 of eligible services within 4 years (by end of July 2025) from the agreement date. On maturity date, the Company is obligated to prepay the difference between the commitment amount and total invoiced amount and any future invoices will be applied towards the prepayment amount. At September 30, 2023, the Company has consumed $1,490,000 of eligible services since the contract date. The company currently projects a $800,000 shortfall of the $4,000,000 commitment.

20. Events after the reporting period

The Company has evaluated subsequent events through the filing of these financial statements and determined that there have been no other events that have occurred since the balance sheet until release date of the consolidated financial statement that would require adjustments to our disclosures.