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## **Aisix Solutions Inc.**

(formerly Minerva Intelligence Inc.)

Management Discussion and Analysis  
of  
Financial Position and Results of Operations  
for the nine-month period ended September 30, 2023

This report is dated November 28, 2023.  
(The “Report Date”)

## ***Introduction***

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The following information should be read in conjunction with the unaudited condensed consolidated interim financial statements of Aisix Solution inc. (formerly Minerva Intelligence Inc.) (the “Company”) for the nine-month period ended September 30, 2023 and the consolidated financial statements for the year ended December 31, 2022.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

Note 3 to the consolidated financial statements of the Company at December 31, 2022 describes the Company’s significant accounting policies, as well as new accounting pronouncements not yet effective. During the nine-month period ended September 30, 2023, the Company’s critical accounting estimates and significant accounting policies have remained substantially unchanged.

All amounts presented in this document are stated in Canadian dollars, except where otherwise noted.

## ***Forward-Looking Statements***

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This Management’s Discussion and Analysis (“MD&A”) is intended to supplement and complement the unaudited condensed consolidated interim financial statements of the Company for the nine-month period ended September 30, 2023 and the consolidated financial statements for the year ended December 31, 2022, and the notes thereto (the “Financial Statements”). Readers are encouraged to review these Financial Statements in conjunction with a review of this MD&A. Certain notes to the Financial Statements are specifically referred to herein, and such notes are incorporated by reference herein. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those implied by the forward-looking statements. These forward-looking statements are based on, but not limited to, material assumptions including: Company performance; the ability of the Company to successfully execute on its growth and new business strategies, including attracting new clients; the demand for its products continuing to increase; stable currency valuations; a sufficiently stable and healthy global economic environment; and other expectations, intentions and plans contained in this MD&A that are not historical fact. When used in this MD&A, the words “plan,” “expect,” “believe,” and similar expressions generally identify forward-looking statements. These statements reflect current expectations. They are subject to a number of risks and uncertainties, including, but not limited to, changes in technology and general market conditions. In light of the many risks and uncertainties, readers should understand that the Company cannot offer assurance that the forward-looking statements contained in this analysis will be realized. **Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks as set forth below.**

## ***Corporate Overview and Description of the Business***

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Aisix Solution Inc. (formerly Minerva Intelligence Inc.) (the “Company” or “Aisix”) was incorporated on August 16, 2017 pursuant to the *Business Corporations Act* of British Columbia and was classified as a Capital Pool Company as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. On March 14, 2018, the Company completed its Initial Public Offering (“IPO”) and on March 26, 2018, the Company’s shares commenced trading on the TSX-V.

Minerva Intelligence (Canada) Ltd. (“Minerva Canada”) was incorporated on May 17, 2017 pursuant to the Business Corporations Act of Ontario. On April 23, 2019, Minerva Canada continued its jurisdiction of incorporation from Ontario to British Columbia, to become subject to the B.C. Business Corporations Act (“BCBCA”). During the year ended December 31, 2019, the Company acquired Minerva Canada through a wholly owned subsidiary, 1198574 B.C. Ltd., which was incorporated on February 22, 2019 to facilitate this acquisition.

Minerva Intelligence GmbH was incorporated on September 24, 2019 as the German subsidiary of the Company.

Minerva Intelligence (U.S.), Inc. was incorporated in Delaware on August 2, 2022. In October 2023, the Company dissolved the company, as the subsidiary had been formed to facilitate possible future US operations of operations which were sold in 2022. After review, it was determined that the subsidiary was no longer required for any future US activities.

On August 15, 2023, the Company announce the name change to Aisix Solutions Inc. and on August 16, 2023, the Company commenced trading on the TSX-V under the symbol "AISX".

The head office of the Company is located at Suite 810 - 1166 Alberni Street, Vancouver, British Columbia V6E 3Z3. The registered office of the Company is located at 250 Howe Street, 20th floor, Vancouver, B.C. V6C 3R8.

### ***Description of the Business***

Aisix is a software and data analytics company that is bringing innovative technology to the market. The Company provides decision-support tools that help our customers reach conclusions faster and with the rigour needed to trust the results. The focus is on helping businesses better understand climate risks.

Worldwide, regulatory bodies are starting to provide guidance to businesses on how to provide climate risk disclosure in the context of ESG reporting. The EU has taken the lead and, since April 2019, has initiated the Non-Financial Reporting Directive ("NFRD"), which obligates companies to disclose climate-related information. This obligation applied to listed companies, banks, and insurance companies. Since 2021, the Corporate Sustainability Reporting Directive ("CSRD") extended the NFRD to cover all large companies and all companies listed on regulated markets. These new standards entered into force in January 2023, with all large companies and all listed companies now having to comply with the updated rules concerning environmental risks (including climate risk). In the U.S., major regulatory bodies such as the Securities & Exchange Commission, the Federal Reserve banks, and the Treasury Department, who traditionally avoid mandating disclosure rules for publicly traded corporations, are considering and will likely adopt some measures to support ESG, especially with respect to climate issues. Canada is also moving forward with the Canadian Security Administrators ("CSA"), providing guidance on climate risk disclosure, and also recently announcing a requirement for crown corporations' annual reports to comply with the Task Force for Climate-related Financial Disclosures ("TCFD") in the coming years.

In June 2023, the IFRS Foundation and the International Sustainability Standards Board released IFRS S1 and S2, which provided the general requirements for disclosure of sustainability related financial information and climate related disclosures. When fully adopted, it is expected that these will form the basis for specific disclosure items and data requirements. Climate-related physical risks are defined in IFRS S2 as "Risks resulting from climate change that can be event-driven (acute physical risk) or from longer-term shifts in climatic patterns (chronic physical risk). Acute physical risks arise from weather-related events such as storms, floods, drought or heatwaves, which are increasing in severity and frequency. Chronic physical risks arise from longer-term shifts in climatic patterns including changes in precipitation and temperature which could lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity."

Aisix provides guidance to our clients on how to analyze and present climate-related physical risk disclosure in the context of ESG reporting as noted in IFRS S1 and S2. The Company assists our clients in identifying and analyzing data which describes the climate-related physical risks that could reasonably be expected to affect the client's business, the current and anticipated effects of those climate-related physical risks on the client; and the effects of those climate-related physical risks which the client should consider in its decision-making. More specifically, Aisix identifies material risks to be considered and disclosed, data sources which describe those risks, data analysis techniques, disclosable information describing the sources and techniques, and data interpretation and presentation to highlight the risks.

Aisix's proprietary technology consists of the software and data products developed by our team of software engineers, developers, and data scientists. Powered by our patent pending AI, our software allows us to analyze and present relevant data, or alternatively to verify data and results prepared by other analysts, such that we provide:

- actionable results and insights that are Auditable, Explainable and Ethical for full decision transparency;
- reliable predictions with a complete audit trail;
- predictions where there is missing data;
- highlights of the most significant knowledge gaps for an application and
- priorities for a follow-up action and review.

The Company's approach produces a predictive score. However, the true value lies in the ability to provide an audit trail that explains how that the score was determined. The methodology also flags missing data that could improve the accuracy of the score, with the capability of incorporating any new data to recalculate the score.

The Company is actively monitoring the ongoing development and adoption of standards such as those noted above as implemented by various international and domestic bodies and regulators. In the opinion of Management, these new regulations and guidelines represent a significant potential market opportunity for Aisix, as traditional businesses lack the necessary climate risk data and knowledge to properly assess and disclose the climate-related risks relevant to their operations. A recent industry report has revealed that voluntary adoption of climate risk disclosures ahead of the coming regulatory changes is on the rise. The Company has developed unique expertise in physical climate risk under its previous GAIA and climate85 brand demonstration products and Management believes Aisix is well-positioned.

Aisix has also recently completed consulting projects for the Government of Canada to organize national-scale flood hazard data and hydrological network, expanding its data modeling knowledge and capabilities. In 2020 the Company began development of the National Flood Hazard Data Layer, an inventory of flood hazard maps in Canada and tool that will help standardize Canada's flood mapping products. The collection of flood maps has recently been published as the Canada Flood Mapping Inventory to show where and how to access these flood hazard maps (<https://open.canada.ca/data/en/dataset/a13a2575-5bda-4bfd-a9b1-5bd2dd583f09> )

### ***Future Applications***

The Company believes that there are opportunities in other industries affected by climate risk as government and other regulators mandate companies across the globe to evaluate and disclose their climate risks. These industries include but are not limited to, agriculture, carbon credit trading, forestry, real estate, insurance, engineering, and banking.

The Company's proprietary software is applicable to a wide range of problem domains and industries; far too many for Aisix to pursue on its own. In this regard, the Company is actively identifying partners and developing relationships with external organizations who could benefit from using Aisix's tools while building applications in a variety of industries. Aisix sees this opportunity to license its tools for the development of new applications as a potentially much larger market than climate risk disclosures are on its own.

This strategy will allow Aisix's unique software tools to see their full potential in a wide array of applications and markets. While management intends to pursue this strategy, there is no assurance that additional products will be developed and marketed through the means of software licensing.

## ***Operations***

The Company conducts its operations using a combination of employees and independent contractors as required. The development team is based at the Company's principal operating office in Vancouver, British Columbia. Aisix itself is not materially directly affected by climate risks, as our operations are largely diversified and are therefore somewhat independent of our tangible assets and physical office. However, the Company has been affected by the downturn in technology markets and has restructured staffing levels to reflect current operations.

## ***Marketing Plans and Strategies***

The Company's software and data products are being marketed to pre-qualified leads around the world using Aisix's existing database of industry contacts, as well as those identified via industry events, publications, thought leadership pieces, and intelligence initiatives. Aisix is seeking partnerships with businesses and organizations to bring its service offerings to new markets.

The Company also uses key leading industry tools to assist with our growth, insights, and projections. Aisix's efforts include direct digital marketing, content marketing and advertising, conference attendance, trade publications, media engagement, and active communication with various media outlets.

The Company continues to expand its network and establish mutually beneficial strategic relationships which will also allow Aisix to expand by future acquisition and/or partnership opportunities, including new technologies that may complement its business.

## ***Intellectual Property***

In accordance with industry practice, Aisix protects its proprietary rights through a combination of copyright, trademark, trade secret laws and contractual provisions. The source code for its Software is protected under Canadian and applicable international copyright laws. Aisix licenses its Software pursuant to agreements that impose restrictions on customers' ability to use the technology, such as prohibiting reverse engineering, limiting the use of software copies and restricting access and use of source code. Aisix also seeks to avoid disclosure of intellectual property and proprietary information by requiring employees and consultants to execute non-disclosure and assignment of intellectual property agreements. Such agreements require employees and consultants to assign to Aisix all intellectual property developed in the course of their employment or engagement. Aisix utilizes non-disclosure agreements to govern interaction with business partners and prospective business partners and other relationships where disclosure of proprietary information may be necessary. The Company has applied for one patent on its intellectual property related to diagnosticity.

## ***Changes in Operations and Activities during the Period***

On March 30, 2023 the Company launched a wildfire risk score, under the climate85 demonstration product, that is the first publicly available wildfire risk score dataset in Canada. The wildfire risk score dataset delivers both yearly and 30-year aggregate probabilities of wildfire ignition and spreading for any location in Canada. The 30-year aggregate probability also allows for a clear evaluation of the likelihood of a property being impacted by a wildfire, expressed as a percentage probability (ranging from 0-100%) and a risk score that ranges from minor (less than 1%) to extreme (greater than 26%). Canada's First Comprehensive Wildfire Risk Map (CNW Group/Aisix) Based on the dataset, the Company analyzed all properties in Canada and estimated that roughly 300,000 buildings are exposed to a high wildfire risk, with a 14% or greater probability of being affected over a 30-year period. Furthermore, over one million properties carry a minor risk (i.e., greater than 1%) of being impacted by wildfires during the typical mortgage term, potentially putting homeowners at risk of losing their property. The product uses a state-of-art, peer-reviewed and globally recognized methodology to ensure the best possible data quality of this datasets. This approach incorporates a variety of data sources, such as historical weather patterns, national fire-fuel maps, digital elevation models, and prevailing wind patterns, to pinpoint areas where fires may occur and spread. By analyzing

the locations of more than 400,000 historical fires and running over 400 million simulations, the Company has created a probability map of wildfire risk scores that spans across Canada. The wildfire risk score dataset is currently the only publicly accessible pan-Canadian map of its kind. This risk score is a valuable addition to the suite of climate risk datasets, which already includes extreme heat, precipitation, humidex, and wind data. Furthermore, flood data will be added to this collection soon. These datasets are available through the API and address lookup toolbar for every location in Canada. Users can effortlessly search for a specific address or coordinates to obtain trustworthy, cutting-edge information on their exposure to wildfire, extreme heat, humidex precipitation, and wind risk. The address lookup functionality makes it easy for non-technical individuals to gain an understanding of climate risks on their property, anyone can look up a limited number of addresses for free. Commercial options are available for bulk lookup of addresses to gather insights on hundreds or thousands of properties and locations simultaneously through the API.

Aisix is seeking partnerships with businesses and organizations to customize its climate risk scores to the different specific industry needs. With state-of-the-art climate science and deep expertise in AI, the Company's data analytics can be used to address a range of climate-related challenges, including physical climate risk assessments, ESG reporting, insurance underwriting, asset management, financial risk modeling, and climate-resilient engineering design. By partnering with Aisix, companies can gain a competitive advantage by harnessing the latest technology and data-driven insights to inform strategic decision-making and mitigate the risks of climate change.

On May 29, 2023, the Company announced changes in the board of directors and management. Mr. Mihalis Belantis assumed the role of Chief Executive Officer and Director. Mr. Scott Davis also joined the Board of Directors. Mr. Scott Tillman (former CEO and Director), Mr. Jason Petralia (former Chairman) and Mr. Gleb Chuvpilo (former Director), all who have played a pivotal role throughout their tenure left the Company.

On July 6, 2023, the Company closed its non-brokered private placement of 20,000,000 common shares at \$0.05 per share for total gross proceeds of \$1,000,000. A four month hold period expiring November 7, 2023, applies to the shares sold in this offering. No commissions or fees were paid in connection with the offering. Offering costs were \$7,616. The private placement had been announced on June 16, 2023.

On July 12, 2023, the Company announced the granting of incentive stock options to certain of its directors, officers, and consultants to purchase up to an aggregate of 6,200,000 common shares, exercisable at \$0.065 per share over a period of 3 years. The stock options vested immediately. As the grant of options to the directors and officers of the Company may constitute a "related party transaction" within the meaning of Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company relied on Sections 5.5(a) and 5.7(1)(a) of MI 61-101 for exemptions from the formal valuation and minority shareholder approval requirements, respectively, of MI 61-101, as, neither the fair market value of the subject matter of, nor the fair market value of the grant of the Options, exceeds 25% of the Company's market capitalization.

On August 15, 2023, the Company announce the name change to Aisix Solutions Inc. and on August 16, 2023, the Company commenced trading on the TSX-V under the symbol "AISX".

## **Results of Operations**

### **Results for the nine-month period ended September 30, 2023**

During the nine-month period ended September 30, 2023, the Company recorded revenues of \$52,920 (2022 - \$184,826).

Expenses from operations for the three-month period were \$715,724 (Year-to-date: \$1,391,503 (2022: \$888,821 and \$3,026,472 respectively)), and the comprehensive loss for the period was \$724,824 (YTD: \$1,259,237) (2022: \$812,124 and \$2,770,495). These results are influenced by the sale of the geology division in Q4 2022 and the subsequent ongoing reduction in costs in 2023 which were incurred in Q1 to Q3.

A significant factor in Q3 was the share-based compensation of \$335,195 recognized in the period due to the issuance and vesting of options granted on July 12<sup>th</sup>. During the comparable period in 2022, \$nil was recognized. Excluding this share-based compensation, operating costs for Q3 were \$380,529, compared to \$888,821 in Q3 of 2022.

A further change resulted from the ongoing restructuring that occurred in the first half of 2023, following the sale of the geology division in 2022 and the renewed focus on climate products. The company reduced its employee count further and moved to the use of full and part-time consultants. Accordingly, salaries and wages of \$nil (YTD: \$416,528) (2022: \$607,010 and \$1,834,697) were recorded in the quarter. In its place, the Company recorded consulting fees as:

- Consulting – corporate development \$29,041 (YTD: \$29,041) (2022: \$nil)
- Consulting – Product development \$105,781 (YTD: \$128,467) (2022: \$23,250 and \$123,889)
- Management fees \$77,333 (YTD: \$77,333) (2022: \$nil)

The net effect was a reduction in expense of \$394,855 in Q3 2023 compared to 2022.

Other elements of the Company's expenses from continuing operations are:

- Advertising and promotion of \$16,957 (YTD: \$57,123) (2022: \$44,810 and \$323,487) reflect the reduced expenditures on both IR and product advertising and sales efforts. However, these expenses are expected to increase in Q4 as the Company has commenced both IR and product promotion activities in late Q3;
- Amortization of \$16,629 (YTD: \$49,875) (2022: \$39,502 and \$108,566) was lower due to the sale and write down of intangible assets which are no longer being amortized and other assets reaching full amortization;
- Directors' fees of \$nil (YTD: \$31,500) (2022: \$31,500 and \$94,500) were paid to independent directors only and reflect the composition and level of fees paid to those directors. Fees incurred in 2023 were accrued, and certain directors fees liabilities were reduced as a result of the resignation of directors in Q2;
- General and administrative expenses of \$39,701 (YTD: \$107,865) (2022: \$45,741 and \$148,856) returned to more normal levels while still reflecting a reduction in the operations of the Company and include the cost of diverse items such as insurance, internet and telephone and other general office expense;
- Outsourced services expense of \$nil (2022: \$nil and \$16,321) consists of the cost of third-party service providers which were contracted and directly related to a specific project based on their expertise;
- Professional fees were \$40,128 (YTD: \$47,152) (2022: \$8,951 and \$37,039) consisting of legal, accounting, tax, and other professional advisory expenses. Expenses increased in the quarter due to higher levels of legal activity due to the increased corporate activities and the timing of billing by professional advisors;
- Regulatory and filing fees of \$5,626 (YTD: \$32,601) (2022: \$1,232 and \$62,227) consist of increased corporate filings, and the renewal of annual TSXV and OTCQB listing fees. Fees in 2022 reflect the renewal fees and the cost of the initial quotation on the OTCBB and being accepted for the DTC;

- Software application subscriptions of \$30,713 (YTD: \$48,511) (2022: \$76,344 and \$151,651) reflect the pricing and timing of licensed software renewals used by the Company. During Q1 and Q2 2023 these costs were reduced considerably by the reduction of licenses used by the former geology division and related refunds. During Q3 ongoing software renewals were recorded, reflecting the timing of certain invoices;
- Transfer agent fees of \$3,691 (YTD: \$7,918) (2022: \$1,586 and \$8,387) are incurred as a result of administering a public Company, holding annual general meetings, and making appropriate filings. In Q3 certain preliminary AGM expenses were paid as the AGM moved to the first part of Q4;
- Travel of \$14,929 (YTD: \$22,162) (2022: \$8,895 and \$57,913) reflects a return to attendance with prospective clients and investors as well as attending trade shows;
- A foreign exchange loss of \$5,682 (YTD: a loss of \$6,740) (2022: a loss of \$8,529 and \$9,017, respectively) was recorded, reflecting a reclassification of assets, normal variations in exchange rates, expenses paid in USD thus incurring FX expense, and variations in FX related to intercompany balances. Future results will be subject to fluctuation based on balances held and converted to Canadian funds. The Company has recently seen an increase in the number of Canadian suppliers billing in USD;
- Interest expense of \$3,418 (YTD: \$10,848) (2022: \$4,196 and \$7,117) was incurred with respect to the lease liability. The expense increased in 2023 due to the higher lease liability balance resulting from the current office lease compared to 2022;
- Interest and other income of \$nil (YTD: \$1,254) (2022: \$nil and 29) was a result of deposit balances and commission received on PST;
- A loss on disposal of assets of \$nil was recorded in the period (2022 - \$2,166) as the result of the disposal of redundant furniture;
- A gain on recovery of accounts receivable of \$43,180 was recorded in Q2, as a result of the collection of receivables for which a bad debt expense had been recorded in Q4, 2022; and
- A gain on the write-down of accrued liabilities of \$52,500 was recorded in the quarter as a result of the reversal of accrued directors' fees which were forgiven due to the resignation of certain directors in the corporate restructuring.

### Quarterly Summary

The following table summarizes selected financial information of the Company for the last eight periods.

	Fiscal 2023			Fiscal 2022
	9/30/2023	6/30/2023	3/31/2023	12/31/2022
	Q3	Q2	Q1	Q4
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	\$	\$	\$	\$
Revenue	-	-	52,920	(169,356)
Operating expenses	(715,724)	(204,028)	(471,751)	(974,451)
Other items	(9,100)	103,863	(15,419)	59,582
Operating loss	(724,824)	(100,165)	(434,250)	718,867
Discontinued operations	-	-	-	(428,117)
Comprehensive income (loss)	(724,824)	(100,165)	(434,250)	290,750
Current Assets	1,186,641	723,593	838,481	1,228,426
Total Assets	1,432,374	983,720	1,115,342	1,519,864
Total Liabilities	318,621	327,723	504,179	474,686
Shareholders' Equity	1,113,753	655,997	611,163	1,045,178

  

	Fiscal 2022			Fiscal 2021
	9/30/2022	6/30/2022	3/31/2022	12/31/2021
	Q3	Q2	Q1	Q4
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	\$	\$	\$	\$
Revenue	89,422	61,704	123,122	148,866
Operating expenses	888,821	(1,075,299)	(1,062,352)	(1,089,552)
Other items	12,725	(772)	(4,774)	(5,984)
Operating loss	(812,124)	(1,014,367)	(944,004)	(946,670)
Comprehensive income (loss)	(812,124)	(1,014,367)	(944,004)	(946,670)
Current Assets	1,019,923	1,795,252	2,614,002	3,537,006
Total Assets	1,427,015	2,240,608	2,781,622	3,736,260
Total Liabilities	672,798	674,267	259,006	270,487
Shareholders' Equity	754,217	1,566,341	2,522,616	3,465,773

### ***Selected Annual Information***

	Year ended December 31,		
	2022 (Audited) \$	2021 (Audited) \$	2020 (Audited) \$
Revenue	104,892	1,049,299	340,584
Operating expenses	(2,223,281)	(3,876,091)	(3,329,438)
Other items	66,761	(11,853)	215,057
Operating loss	(2,051,628)	(2,838,645)	(2,773,797)
Discontinued operations	(428,117)	-	-
Comprehensive loss	(2,479,745)	(2,838,645)	(2,773,797)
Current assets	1,228,426	3,537,006	1,482,200
Total assets	1,519,864	3,736,260	1,866,288
Total liabilities	474,686	270,487	364,517
Shareholders equity	1,045,178	3,465,773	1,501,771

### ***Financing Activities***

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During the year ended December 31, 2022, there were no share issuances.

On July 6, 2023, the Company closed its non-brokered private placement of 20,000,000 common shares at \$0.05 per share for total gross proceeds of \$1,000,000. A four month hold period expiring November 7, 2023, applies to the shares sold in this offering. No commissions or fees were paid in connection with the offering. Offering costs were \$7,616. The private placement had been announced on June 16, 2023.

As of September 30, 2023, the Company had 96,958,037 shares issued and outstanding (December 31, 2022 - 76,958,037).

### ***Liquidity and Capital Resources***

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The Company's aggregate operating, investing, and financing activities for the nine-month period ended September 30, 2023 resulted in a cash decrease of \$105,792 (December 31, 2022 - \$2,037,200). As at September 30, 2023, the Company's cash balance was \$1,034,400 (December 31, 2022 - \$1,140,192), and the Company had working capital of \$981,861 (December 31, 2022 - \$894,508).

During the nine-month period ended September 30, 2023, the Company paid \$11,462 to acquire equipment (December 31, 2022 - \$35,951 to acquire furniture and equipment, and \$16,586 for leasehold improvements). The Company sold \$7,294 of surplus furniture at depreciated cost.

No other material capital expenditures were incurred.

### ***Transactions with Related Parties***

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Related parties include key management personnel, who are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of key management personnel during the three and nine-month periods ended September 30, 2023 and 2022 were as follows:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2023	2022	2023	2022
Directors' fees	\$ -	\$ 31,500	\$ 9,000	\$ 94,500
Salaries, wages & related consulting	99,998	193,190	369,705	570,160
Professional fees & Consulting	-	15,000	-	72,250
Share-based payments	200,035	-	200,035	52,006
	<u>\$ 300,033</u>	<u>\$ 239,690</u>	<u>\$ 578,740</u>	<u>\$ 788,916</u>

Amounts due to related parties at September 30, 2023 and 2022 are unsecured, interest free and due on demand. As at September 30, 2023, accounts payable and accrued liabilities include \$nil (December 31, 2022 - \$6,250) owing to the former CEO of the Company, \$23,625 (December 31, 2022 - \$23,625) owing to the Chief Software Architect of the Company, and \$21,000 (December 31, 2022 - \$42,000) owing to directors for directors' fees.

Directors' fees are paid to the independent directors. Salaries, wages, and related consulting fees are paid to the senior executives of the Company, comprising the Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer, and Chief Technology Officer. Professional and consulting fees are paid to the Chief Software Architect and other contractors formerly related as directors or officers. Share-based compensation reflects the cost of options granted to any and/or all of the above. See the section above regarding the results for the nine-month period for a further discussion of these amounts.

### ***Off Balance Sheet Arrangements***

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To the best of management's knowledge, there are no 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 the Company.

### ***Critical Accounting Estimates***

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The preparation of the consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses and gains or losses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses, gains, and losses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

Estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements include:

#### ***Share-based Payment Transactions***

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock options, volatility and dividend yield and making assumptions about them.

### ***Economic recoverability and probability of future economic benefits of intangible assets and amortization***

Management has determined that intangible asset costs incurred which were capitalized have future economic benefits and will be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life. The amortization expense related to intangible assets has been determined using estimates relating to the useful life of the intangible assets.

### ***Determination of functional currency***

The functional currency of the Company is the currency of the primary economic environment in which it operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determine the primary economic environment.

### ***Discontinued operation***

The Company uses its judgment to determine whether a component of the Company that has been disposed of meets the criteria of a discontinued operation. The key area that involves management judgment in this determination is whether the component represents a separate major line of business or geographical area of operation.

### ***Changes in Accounting Policies***

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The accounting policies applied in the consolidated financial statements are the same as and unchanged from those applied in the Company's annual audited financial statements for the years ended December 31, 2022 and 2021. The reader is referred to those notes for a detailed discussion of the Company's accounting policies.

### ***Financial Instruments***

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The Company is exposed to various financial risks resulting from its operations. The Company's management manages financial risks. The Company has not entered into financial instruments agreements, including derivative financial instruments for speculative purposes. The Company's main financial risk exposures and its financial policies are as follows:

#### ***Credit risk***

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and accounts receivable are exposed to credit risk, with the carrying values being the Company's maximum exposure. The Company's cash consists of deposit accounts with chartered banks. The Company's accounts receivable consists of contract payments due from governments and companies, with the carrying amounts also being the Company's maximum exposure. Management believes the Company's exposure to credit risk is not material. The Company's exposure to and management of credit risk has not changed materially from that of the prior year.

#### ***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and accrued liabilities are all current and due within 90 days of the consolidated statement of financial position date. The Company seeks to ensure that it has sufficient capital to meet short-term financial obligations after taking into account its operating obligations and cash on hand. The Company's exposure to and management of credit risk has not changed materially from that of the prior year.

## **Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices.

### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company maintains certain cash balances in term deposits which renew periodically, and which rates reflect the market at the time of renewal. Management believes that the interest rate risk on these investments is nominal. The Company is not exposed to any other material interest rate risk aside from the term deposits noted. The Company's exposure to and management of interest rate risk has not changed materially from that of the prior year.

### *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to foreign exchange risk as it engages in transactions in other foreign currencies, from time to time. As of September 30, 2023, the carrying values of the financial assets and liabilities denominated in US dollars were converted to CAD at a rate of 1.3520 (2022 - 1.3541) and Euros converted to CAD at the rate of 1.4304 (2021 - 1.4487). A 10% change in the foreign exchange rate would have an impact on profit and loss of \$3,507 (2022 - \$8,452):

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Cash (US dollar)	\$ 33,154	\$ 80,239
Cash (Euro)	3,791	4,775
Amounts receivable (US dollar)	-	-
Accounts payable and deposits (US dollar)	(1,352)	-
Accounts payable (Euros)	(524) -	494
Total	<u>\$ 35,069</u>	<u>\$ 84,520</u>
10% change in the exchange rate impact	<u>\$ 3,507</u>	<u>\$ 8,452</u>

### *Price risk*

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company does not have any financial instruments which are exposed to this risk.

### ***Outstanding Share Data***

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As at September 30, 2022 and the date of this MD&A the following table summarizes the outstanding share capital of the Company:

	<b>September 30, 2022</b>	<b>Report Date</b>
Common Shares	96,958,037	96,958,037
Stock Options	7,235,000	7,235,000
Warrants	-	-
	<hr/>	<hr/>
Total, Fully Diluted	<b>104,193,037</b>	<b>104,193,037</b>

On July 6, 2023, the Company closed a non-brokered private placement of 20,000,000 common shares at \$0.05 per share for total gross proceeds of \$1,000,000. A four month hold period expiring November 7, 2023, applies to the shares sold in this offering.

On July 12, 2023, the Company granted of incentive stock options to certain of its directors, officers, and consultants to purchase up to an aggregate of 6,200,000 common shares in the capital stock of the Company, exercisable at \$0.065 per share over a period of 3 years. The stock options vested immediately.

During the nine-month period ended September 30, 2023, 3,457,625 options expired unexercised at prices ranging from \$0.07 to \$0.30. A further 17,149,166 warrants exercisable at prices ranging from \$0.20 to \$0.25 also expired unexercised. In addition, 1,371,813 broker warrants, exercisable at a price of \$0.25 per share until September 17, 2023, expired unexercised during the period.

### ***Risks and Uncertainties***

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An investment in the Company's common shares should be considered highly speculative due to the nature of the Company's business and the present stage of its development. In evaluating the Company and its business, the Reader should carefully consider the following risk factors in addition to the other information contained in this MD&A. These risk factors are not a definitive list of all risk factors associated with the Company. It is believed that these are the factors that could cause actual results to be different from expected and historical results. Investors should not rely upon forward-looking statements as a prediction of future results.

#### **Business Model**

The industry in which the Company operates is characterized by evolving industry conditions and standards, and changing user and client demands. Any evaluation of the Company's business and its prospects must be considered in light of these factors and the risks and uncertainties often encountered by companies in an evolving industry.

Some of these risks and uncertainties relate to the Company's ability to maintain and expand client relationships and respond effectively to competition and potential negative effects of competition on profit margins. If the Company is unable to address these risks, its business, results of operations and prospects could suffer.

### **Significant future capital requirements, future financing risk and dilution**

No assurances can be provided that the Company's financial resources will be sufficient for its future needs. Revenues from current operations are insufficient to meet the Company's expected capital requirements. As such, the Company may be required to undertake future financings which may be in the form of a sale of equity or debt secured by assets. No assurances can be made that the Company will be able to complete any financing arrangements or that the Company will be able to obtain the capital that it requires. In addition, the Company cannot provide any assurances that any future financings will be obtained on terms that are commercially favourable to the Company.

Any such sale of Company shares, or other securities will lead to further dilution of the equity ownership of existing shareholders. Additionally, options and warrants or other conversion rights issued or granted by the Company may adversely affect future equity offerings, and the exercise of those options and warrants may have an adverse effect on the value of the Company shares. If any such options, warrants or conversion rights are exercised at a price below the then current market price, if any, then (i) the market price of the Company shares could decrease, and (ii) shareholders may experience dilution of his or her investment. The issuance of Company shares in the future will result in a reduction of the book value and market price of the then outstanding Company shares. If any such additional Company shares are issued such issuances will result in a reduction in the proportionate ownership and voting power of all current shareholders. Further, such issuance may result in a change of control of the Company.

A prolonged decline in the price of the Company shares could result in a reduction in the liquidity of the Company shares and a reduction in the Company's ability to raise capital. As a significant portion of the Company's operations will probably be financed through the sale of equity securities a decline in the price of the Company shares could be especially detrimental to liquidity.

### **Technological Change**

The Company operates in a business environment that is entirely dependent on technology. As such, technological change will impact the ability of the Company to expand and grow its business and will also affect the costs and expenses incurred by the Company, including capital requirements. The artificial intelligence market continues to experience rapid technological change. There is a risk that new technologies and standards may render the Company's software applications obsolete. The Company may be required to invest significant capital in new technology and software development to remain competitive. Failure to do so may adversely affect demand for the Company's products and services.

### **Share price volatility and liquidity**

There is a limited market for the Company's shares, and the trading price may increase or decrease in response to a number of events and factors, both known and unknown. In addition, the market price of the Company shares will be affected by many variables not directly related to the Company's success and will therefore not be within the Company's control, including other developments that affect the market for all software and/or AI sector securities, the breadth of the public market for the common shares, and the attractiveness of alternative investments. The effect of these and other factors could cause the Company's share price to be volatile in the future.

The market price for the Company shares may also be affected by the Company's ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, may have a material adverse effect on the market price of the Company shares.

### **Regulatory requirements**

The Company may be affected in varying degrees by government policies and regulations. Changes in government, regulations and policies and practices, beyond the control of the Company, could have an adverse impact on its future cash flows, earnings, results of operations and financial condition.

### **Limited Operating History**

Aisix is in the early stage of development and has a limited history of operations. The Company will be subject to many risks common to start-up enterprises and its viability must be viewed against the background of the risks, expenses and problems frequently encountered by companies in the early stages of development in new and rapidly evolving markets such as the AI industry. This includes under-capitalization, cash shortages, limitations with respect to personnel, lack of revenues and financial and other resources. There is no assurance that the Company will develop its business profitably, and the likelihood of success of the Company must be considered in light of its early stage of operations. There is no assurance that the Company will be successful in achieving a return on shareholders' investment.

### **Management of Growth**

The Company may be subject to growth-related risks including pressure on its internal systems and controls. The Company's ability to manage its growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations, and prospects. While management believes that the Company has made the necessary investments in infrastructure to process anticipated volume increases in the short term, the Company anticipates it may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for the Company's personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will also need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate, manage, and retain its employees. There can be no assurance that the Company will be able to manage such growth effectively, that its management, personnel, or systems will be adequate to support the Company's operations or that the Company will be able to achieve the increased levels of revenue commensurate with the levels of operating expenses associated with this growth.

### **Negative cash flow and absence of profits**

Aisix has not earned any profits to date and there is no assurance that it will earn any profits in the future, or that profitability, if achieved, will be sustained. The success of the Company will ultimately depend on its ability to generate revenues from operations. There is no assurance that any future revenues will be sufficient to generate the required funds to develop the Company's business.

### **Protection of intellectual property rights**

The future success of the Company's business will be dependent upon the intellectual property rights surrounding certain technology held by Aisix, including trade secrets, know-how and technological innovation. The Company's failure to protect its intellectual property could harm its ability to compete effectively. The Company is highly dependent on its ability to protect its proprietary technology. It intends to protect its rights vigorously; however, there can be no assurance that these measures will, in all cases, be successful. Enforcement of its intellectual property rights may be difficult. Also, competitors could independently develop technologies that are perceived to be substantially equivalent or superior to the Company's technologies. The Company may be subject to claims of intellectual property infringement. Other companies may claim that Aisix infringes their intellectual property, which could materially increase costs and materially harm the Company's ability to generate future revenue and profits. Although the Company does not believe that its products infringe on the rights of third parties, third parties may assert infringement claims against it in the future. Although most of Aisix's technology is proprietary in nature, it does rely to a limited extent on third party software.

### ***Reliance on computer systems***

The Company's information technology and internal infrastructure is susceptible to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. Significant disruption to the availability of information technology and internal infrastructure could cause delays in research and development work. The Company would incur liability and development of products would be delayed if any disruption or security breach were to result in a loss of, or damage to, the Company's data. Additionally, the Company may rely on cloud service providers. Any outages or changes related to these cloud services and service providers may cause disruption to development and services at the Company.

### ***Reliance on customers and financial markets***

The Company's sales to date have been to certain government agencies and departments, and consulting client companies. The sales to government have been as a result of the Company successfully entering into competitive bidding situations, often with partner companies. The sales to companies have been as a result of marketing efforts to such companies. There is no assurance that the Company will continue to be successful in competing for government contracts, or that company clients will continue with their exploration and development programs should market conditions become adverse.

### ***Product liability exposure***

The Company faces an inherent business risk of exposure to product liability and other claims in the event that the development or use of its technology or prospective products is alleged to have resulted in adverse effects. While the Company has taken, and will continue to take, what it believes are appropriate precautions, there can be no assurance that it will avoid significant liability exposure. A product liability claim could have a material adverse effect on the Company's business, financial condition, and results of operations.

### ***Management experience and dependence on key personnel and employees***

The Company's success is currently largely dependent on the performance of the Company's directors and officers. The experience of these individuals is a factor which will contribute to the Company's continued success and growth. The Company will initially be relying on its board members and executive officers, as well as independent consultants and advisors, for most aspects of its business. The amount of time and expertise expended on the Company's affairs by each of the Company's management team and the Company's directors will vary according to the Company's needs. The loss of any of these individuals could have a material detrimental impact on the Company's business. The Company does not intend to acquire any key man insurance policies and there is, therefore, a risk that the death or departure of any key member of management, a director, or employee or consultant, could have a material adverse effect on the Company's business, operations, and financial condition. Investors who are not prepared to rely on the Company's management team should not invest in the Company's securities. The management of the Company has limited history of past performance in managing a software and AI company, and the past performances of management in other positions are no indication of their ability to successfully manage the Company. If the experience of management is inadequate or unsuitable to manage the Company, the operations of the Company may be adversely affected.

### ***Competition***

The Company will face competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of the Company. There are other entities investing in the AI technology space and the Company expects this sector to grow. These companies may have an advantage and may have developed a more efficient operational or investment model. The Company may not have sufficient resources to continue on a competitive basis which could materially and adversely affect the business, financial condition, and results of operations of the Company. To

remain competitive, the Company will continue to invest in software development. Should competitors introduce new services/software embodying new technologies, the Company's technology may become obsolete and require substantial resources to compete successfully in the market for software and technology services.

### **Exchange Rate**

The reporting and functional currency of the Company is the Canadian Dollar. A significant portion of the Company's anticipated future revenues and expenses may be in foreign currencies, such as the United States Dollar or the Euro. Future fluctuations in the value of the Canadian Dollar relative to these currencies will likely have a material impact on the Company's overall financial results. Appreciation of the Canadian dollar will potentially affect revenues and expenses.

### **Conflicts of interest**

Certain of the Company's directors and officers are, and may continue to be, involved in the AI industry through their direct and indirect participation in corporations, partnerships or joint ventures which are potential competitors of the Company. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers may conflict with the Company's interests. Directors and officers of the Company with conflicts of interest will be subject to and must follow the procedures set out in applicable corporate and securities legislation, regulations, rules, and policies.

### **Employee recruitment**

Recruiting and retaining qualified personnel is critical to the success of the Company. The number of persons skilled in software development (and AI in particular) and marketing is limited and competition for such persons is intense. As the Company's business activity grows, the Company will require additional key executive, technical, operational, and administrative personnel. There can be no assurance that the Company will be successful in attracting, training, and retaining qualified personnel. If the Company is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have a material adverse effect on the Company's results of operations and profitability.

### **Uninsured or uninsurable risks**

The Company insures its operations in accordance with technology industry practice. However, given the novelty of the proposed business, such insurance may not be available, uneconomical for the Company, or the nature or level may be insufficient to provide adequate insurance cover. The Company may become subject to liability for hazards against which the Company cannot insure or against which the Company may elect not to insure because of high premium costs or for other reasons. The payment of any such liabilities would reduce or eliminate the funds available for operations. Payments of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's results of operations and financial position.

### **Litigation**

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources. Litigation may also create a negative perception of the Company's brand.