

URBANIMMERSIVE INC.

Interim Condensed Consolidated Financial Statements

For the three and nine-month periods ended on June 30, 2023 and 2022

URBANIMMERSIVE INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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URBANIMMERSIVE INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three and nine-month periods ended June 30, 2023 and 2022

(in Canadian dollars)

	Notes	June 30, 2023 (3 months)	June 30, 2022 (3 months)	June 30, 2023 (9 months)	June 30, 2022 (9 months)
		\$	\$	\$	\$
Revenues		2,683,453	2,850,198	8,238,704	6,027,258
Cost of goods sold		33,599	18,649	179,726	84,906
Direct charges	13	1,582,718	1,417,659	4,650,335	2,780,639
Amortization		603,736	336,221	1,635,294	904,441
Gross margin		<u>463,400</u>	<u>1,077,669</u>	<u>1,773,349</u>	<u>2,257,272</u>
Operating expenses	13	<u>1,782,126</u>	<u>1,277,661</u>	<u>6,003,599</u>	<u>3,653,617</u>
Operational income (loss)		<u>(1,318,726)</u>	<u>(199,992)</u>	<u>(4,230,250)</u>	<u>(1,396,345)</u>
Other expenses (revenues)					
Interest revenues		-	-	-	(495)
Financial expenses	14	316,478	92,420	814,273	238,370
Loss (gain) of disposal of property and equipment		-	-	-	(5,117)
Write-off of goodwill		-	-	-	224,566
Reevaluation of intangible assets		-	-	-	54,079
Change in fair value of earn-outs		-	-	(476,756)	-
Change in fair value of warrants		-	(7,410)	-	(42,120)
		<u>316,478</u>	<u>85,010</u>	<u>337,517</u>	<u>469,283</u>
Loss before taxes		(1,635,204)	(285,002)	(4,567,767)	(1,865,628)
Current income taxes (recovered)		(3,718)	32	(7,697)	(2,834)
Net loss		<u>(1,631,486)</u>	<u>(285,034)</u>	<u>(4,560,070)</u>	<u>(1,862,794)</u>
Other comprehensive loss (income)					
Items that will be reclassified subsequently in net income					
Foreign currency translation differences		<u>(47,710)</u>	<u>-</u>	<u>(136,983)</u>	<u>-</u>
Comprehensive income (loss)		<u>(1,679,196)</u>	<u>(285,034)</u>	<u>(4,697,053)</u>	<u>(1,862,794)</u>
Basic and diluted net loss per common share	12	(0.03)	(0.02)	(0.10)	(0.02)

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

URBANIMMERSIVE INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at **(in Canadian dollars)**

	Notes	June 30, 2023	September 30, 2022
		\$	\$
ASSETS			
Current assets			
Cash		1,163,674	674,984
Trade and other receivables	4	561,543	308,643
Inventories		31,947	32,142
Prepaid expenses		122,834	47,250
		<u>1,879,998</u>	<u>1,063,019</u>
Non-current assets			
Property and equipment	5	1,376,787	1,113,998
Intangible assets	6	10,666,129	8,338,160
Right-of-use assets		1,022,362	150,675
Goodwill	7	10,731,880	8,247,679
		<u>23,797,158</u>	<u>17,850,512</u>
Total assets		<u>25,677,156</u>	<u>18,913,531</u>
LIABILITIES			
Current liabilities			
Bank indebtedness		283,922	-
Trade and other payables		1,911,006	905,443
Deferred revenue		36,165	45,685
Balance of purchase	2	-	73,903
Current portion of long-term debt	9	3,522,782	3,611,508
Current portion of lease liabilities	17	640,432	57,982
		<u>6,394,307</u>	<u>4,694,521</u>
Non-current liabilities			
Long-term debts	9	5,884,144	70,000
Lease liabilities	17	461,249	87,172
Earn-outs payable		-	476,756
Deferred taxes		746,791	746,791
		<u>7,092,184</u>	<u>1,380,719</u>
Total liabilities		<u>13,486,491</u>	<u>6,075,240</u>
EQUITY			
Share capital	10	31,137,996	27,983,151
Contributed surplus		32,458	32,458
Provision for share options and warrants	11	3,116,551	2,221,969
Cumulative other comprehensive income		(92,521)	44,462
Own shares held		(12,000)	(12,000)
Deficit		(21,991,819)	(17,431,749)
Total equity		<u>12,190,665</u>	<u>12,838,291</u>
Total liabilities and equity		<u>25,677,156</u>	<u>18,913,531</u>

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

URBANIMMERSIVE INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three and nine-month periods ended June 30, 2023 and 2022

(in Canadian dollars)

	Notes	Share capital		Own shares held	Contributed surplus	Provision for share options and warrants	Cumulative other comprehensive income (loss)	Deficit	Total
		Number	\$	\$	\$	\$	\$	\$	\$
Balance on October 1st, 2021		30,460,692	23,274,566	-	32,458	1,896,803	65,429	(15,841,597)	9,427,659
Issuance of shares as part of a private placement	10	134,894	106,566	-	-	20,234	-	-	126,800
Issuance of shares as part of acquisition of businesses	2	5,365,024	3,808,231	-	-	-	-	-	3,808,231
Issuance of shares as part of acquisition of intangible assets		365,292	312,354	-	-	-	-	-	312,354
Issuance of shares upon conversion of warrants	11	202,560	141,792	-	-	(15,192)	-	-	126,600
Share payments		359,287	196,740	-	-	-	-	-	196,740
Share-based payments		-	-	-	-	238,687	-	-	238,687
Cost related to the issuance of shares	10	-	(27,279)	-	-	-	-	-	(27,279)
Net loss		-	-	-	-	-	-	(1,862,794)	(1,862,794)
Balance on June 30, 2022		<u>36,987,749</u>	<u>27,881,666</u>	<u>(12,000)</u>	<u>32,458</u>	<u>2,108,086</u>	<u>65,429</u>	<u>(17,704,391)</u>	<u>12,371,247</u>
Balance on October 1st, 2022		37,318,990	27,983,151	(12,000)	32,458	2,221,969	44,462	(17,431,749)	12,838,291
Issuance of shares as part of acquisition of businesses	2	9,287,707	2,727,800	-	-	-	-	-	2,727,800
Issuance of shares as part of a private placement	10	11,538,461	138,462	-	-	611,538	-	-	750,000
Share-based payments		-	-	-	-	283,044	-	-	283,044
Share payments	10	3,857,942	309,495	-	-	-	-	-	309,495
Cost related to the issuance of shares	10	-	(20,911)	-	-	-	-	-	(20,911)
Net loss		-	-	-	-	-	-	(4,560,070)	(4,560,070)
Foreign currency translation differences		-	-	-	-	-	(136,983)	-	(136,983)
Balance on June 30, 2023		<u>62,003,100</u>	<u>31,137,997</u>	<u>(12,000)</u>	<u>32,458</u>	<u>3,116,551</u>	<u>(92,521)</u>	<u>(21,991,819)</u>	<u>12,190,665</u>

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

URBANIMMERSIVE INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine-month periods ended June 30, 2023 and 2022

(in Canadian dollars)

	Notes	June 30, 2023 (3 months)	June 30, 2022 (3 months)	June 30, 2023 (9 months)	June 30, 2022 (9 months)
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Net loss		(1,631,486)	(285,034)	(4,560,070)	(1,862,794)
Non-cash profit or loss items					
Amortization - Property and equipment		52,425	36,968	154,655	112,397
Amortization - Intangible assets		413,357	279,213	1,171,409	764,742
Amortization - Right-of-use assets		137,955	19,861	309,231	27,303
Amortization - Cost related to the issuance of long-term	9	1,375	1,375	4,125	5,186
Write-off of goodwill		-	-	-	224,566
Reevaluation of intangible assets		-	-	-	54,079
Share-based, share and unit payments		276,921	160,198	592,539	435,227
Theoretical interest on lease liabilities		30,036	3,508	43,059	4,997
Capitalized interests on the promissory note		120,322	-	334,523	-
Loss (gain) on disposal of property and equipment		-	-	-	(5,117)
Change in fair value in earn-outs		-	-	(476,756)	-
Change in fair value of warrants		-	(7,410)	-	(42,120)
		(599,094)	208,679	(2,427,284)	(281,534)
Change in non-cash working capital items	15	580,416	156,676	1,348,388	229,204
Net cash related to operating activities		<u>(18,678)</u>	<u>365,355</u>	<u>(1,078,896)</u>	<u>(52,330)</u>
INVESTING ACTIVITIES					
Acquisition of businesses	2	-	-	-	(2,567,699)
Acquisition of tangibles assets	5	(15,624)	(39,315)	(144,406)	(162,751)
Disposal of tangibles assets	5	-	-	-	86,827
Acquisition of intangibles assets	6	(47,576)	(51,585)	(149,388)	(134,536)
Cash acquired through acquisition of businesses	2	-	598	1,571,072	201,318
Net cash related to investing activities		<u>(63,200)</u>	<u>(90,302)</u>	<u>1,277,278</u>	<u>(2,576,841)</u>
FINANCING ACTIVITIES					
Bank indebtedness	8	121,270	-	283,922	-
Long-term debts	9	-	-	-	2,000,000
Lease liabilities	17	-	-	-	-
Repayment of long-term debts	9	76,651	(86,170)	(162,851)	(159,782)
Repayment of balance of purchase	2	-	(77,306)	(73,903)	(194,732)
Repayment of lease liabilities		(160,463)	(11,538)	(348,966)	(31,523)
Issuance of shares	10	750,000	-	750,000	287,990
Costs related to the issuance of shares	10	-	-	(20,911)	(27,279)
Net cash related to financing activities		<u>787,458</u>	<u>(175,014)</u>	<u>427,291</u>	<u>1,874,674</u>
Increase (decrease) in cash		705,580	100,039	625,673	(754,497)
Effect of foreign currency translation differences		(47,293)	-	(136,983)	-
Cash, beginning of period		505,387	823,381	674,984	1,677,917
Cash, end of period		<u>1,163,674</u>	<u>923,420</u>	<u>1,163,674</u>	<u>923,420</u>
Interest received		-	-	-	495
Interest paid		(99,429)	(57,933)	(298,044)	(132,156)

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

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2023 and 2022 and September 30, 2022

(in Canadian dollars)

NOTE 1. STATUTES OF INCORPORATION, NATURE OF ACTIVITIES AND GOING CONCERN ASSUMPTION

URBANIMMERSIVE INC., incorporated on April 6, 2011 under the Canada Business Corporations Act, and its subsidiaries (the "Corporation"), develop and commercialize immersive a SaaS platform offering immersive marketing solutions, 3D photographic equipment and photography services addressed to professional photographers. Corporation's common shares are listed on the TSX Venture under the symbol UI and on the OTCQB Venture under the symbol UBMRF. The Corporation's head office is located at 306-3135, Moise-Vincent blvd., St-Hubert, Quebec, Canada.

These interim condensed consolidated financial statements, approved by the Board of Directors on May 25, 2023, have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim condensed consolidated financial statements, including IAS 34, "Interim Financial Reporting". These interim condensed consolidated financial statements as well as the related notes should be read in conjunction with audited consolidated financial statements of the Corporation as at September 30, 2022.

The accompanying condensed consolidated interim financial statements have been prepared in accordance with IFRS, applicable to a going concern company, which considers the realization of assets and the settlement of liabilities in the normal course of business as they occur. As of June 30, 2023, there are significant uncertainties that cast doubt on the Company's ability to continue its operations.

For the nine-month period ended June 30, 2023, the Corporation recorded net loss of \$4,560,070 (net loss of \$1,862,794 for the nine-month period ended June 30, 2022) and used cash flows for its operating activities of \$1,078,896 (used \$52,330 for the nine-month period ended June 30, 2022). As of June 30, 2023, the Corporation's cash amounted to \$1,163,674 along with unused lines of credit of approx. \$77,000.

The Corporation has prepared a budget using assumptions that management considers reasonable. Achieving budgeted results depends mainly on the increase of sales, compliance with the gross operating margin forecast, support of its financial partners and creditors, control of general and administrative expenses. Based on its recent financial results, current liquidities, agreements in place with some key creditors and cost reduction measures, Management believes the Company will be able to continue to execute its business plan and commercial strategy. This is still a possibility that the Company will have to raise capital over the next twelve months to continue its activities.

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2023 and 2022 and September 30, 2022

(in Canadian dollars)

NOTE 2. ACQUISITIONS OF BUSINESSES

For the Corporation, those acquisitions described below meet its goal to integrate vertically its activities and offers a full set of 3D immersive technological solutions to its professional photographers.

Those transaction meet the definition of a business combination under IFRS 3 Business Combinations and therefore was accounted for using the purchase method. The acquiree's identifiable assets and liabilities are recognized at their fair values at the date of acquisition. The transaction costs associated with business combinations are expensed as incurred unless they constitute the costs associated with issuing debt or equity securities.

Goodwill represents the excess of the fair value of the consideration transferred in a business acquisition over the fair values of identifiable net assets acquired and liabilities assumed in such acquisitions. Goodwill is measured at the date that control is obtained. Goodwill mainly represents expected synergies on expenses. Goodwill is not expected to be tax deductible.

HomeVisit, LLC

On October 19, 2022, the Corporation acquired 100% of the shares of HomeVisit, LLC ('HomeVisit'), a real estate photography agency, in exchange of the following

- Issuance of 9,287,707 common shares of the Company at a price of \$0.29 per share and discounted by 11% since the shares cannot be traded for a period of 4 months;
- 5-Year Secured Note, 7.50% per annum, at a fair value of \$5,549,621 and subject to some adjustment.

The allocation of the identifiable assets acquired and liabilities assumed on the acquisition are as follows:

	\$
Consideration paid	
Issuance of common shares (note 10)	2,727,800
5-Year Secured Note	5,549,621
	8,277,421
Consideration receivable (working capital adjustment clause)	(54,245)
Net consideration paid	8,223,176
Assets acquired	
Cash	1,571,072
Trade and other receivables	881,739
Prepaid	202,885
Property and equipment	273,038
Right-of-use assets	505,381
Customer relations	2,500,000
Goodwill	850,000
Goodwill	2,484,201
	9,268,316
Liabilities assumed	
Trade and other payables	264,122
Deferred revenue	193,596
Lease liabilities	587,422
	1,045,140
Net consideration paid	8,223,176

The Company incurred acquisition costs totalling \$44,955.

Since the acquisition date, HomeVisit generated revenues totaling \$1,499,398 and a net loss of \$132,859.

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2023 and 2022 and September 30, 2022

(in Canadian dollars)

NOTE 2. ACQUISITIONS OF BUSINESSES (Continued)

Immophoto

On November 24, 2021, the Corporation acquired 100% of the shares of Immophoto Inc. ('Immophoto'), a real estate photography agency, in exchange of the following

- Cash consideration of \$300,000;
- Issuance of 103,093 common shares of the Company at a price of \$0.94 per share and discounted by 11% since the shares cannot be traded for a period of 4 months;
- Contingent payment ('Earn-out') of up to \$100,000, payable in shares on November 23, 2022.

The allocation of the identifiable assets acquired and liabilities assumed on the acquisition are as follows:

	\$
Consideration paid	
Cash	300,000
Issuance of common shares (note 10)	86,248
Earn-out payable in shares	29,075
	415,323
Consideration receivable (working capital adjustment clause)	(3,305)
Net consideration paid	412,018
Assets acquired	
Cash	39,392
Trade and other receivables	15,888
Property and equipment	1,686
Customer relations	141,000
Goodwill	284,965
	482,931
Liabilities assumed	
Trade and other payables	33,585
Deferred income taxes	37,328
	70,913
Net consideration paid	412,018

The Company incurred acquisition costs totalling \$4,500.

Since the acquisition date, Immophoto generated revenues totaling \$400,632 and a net loss of \$53,299.

Since October 1st, 2021, Immophoto generated revenues totaling \$505,704 and a net loss of \$34,112.

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2023 and 2022 and September 30, 2022

(in Canadian dollars)

NOTE 2. ACQUISITION OF BUSINESSES (Continued)

Virtual Access Tours LP

On December 5, 2021, the Corporation acquired 100% of the LP units of Virtual Access Tours LP ("VAT"), a real estate photography agency, in exchange of the following

- Cash consideration of \$448,600;
- Issuance of 589,829 common shares of the Company at a price of \$0.80 per share and discounted by 11% since the shares cannot be traded for a period of 4 months;
- Contingent payment ('earn-out') for up to \$US 450,000, payable in shares, with \$US 225,000 payable as of December 5, 2022 and \$US 225,000 payable as of December 5, 2023.

The allocation of the identifiable assets acquired and liabilities assumed on the acquisition are as follows:

	\$
Consideration paid	
Cash	448,600
Issuance of common shares (note 10)	417,111
Earn-out payable in shares	199,258
	1,064,969
Consideration receivable (working capital adjustment clause)	(9,712)
Net consideration paid	1,055,257
Assets acquired	
Cash	66,620
Trade and other receivables	7,756
Trademarks	69,000
Customer relations	466,000
Goodwill	491,533
	1,100,909
Liabilities assumed	
Trade and other payables	45,652
	45,652
Net consideration paid	1,055,257

The Company incurred acquisition costs totalling \$7,000.

Since the acquisition date, Virtual Access Tours generated revenues totaling \$451,648 and a net loss of \$107,160.

Since October 1st, 2021, Virtual Access Tours generated revenues totaling \$546,969 and a net loss of \$98,364.

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2023 and 2022 and September 30, 2022

(in Canadian dollars)

NOTE 2. ACQUISITION OF BUSINESSES (Continued)

Imoto

On December 10, 2021, the Corporation acquired 100% of the units of Imoto LLC ('Imoto'), a real estate photography agency, in exchange of the following consideration:

- Cash consideration of \$1,800,000;
- 3,157,115 common shares of the Company issued at a price of \$0.81 per share and discounted by 12% since the shares cannot be traded for a period of 4 months and the shares were issued on January 3, 2022;
- Balance of purchase of \$151,209
- Contingent payment ('earn-out') of up to \$2,312,000, payable in shares, with \$770,667 payable per year over a maximum of three years.

The allocation of the identifiable assets acquired and liabilities assumed on the acquisition are as follows:

	\$
Consideration paid	
Cash	1,800,000
Issuance of common shares (note 10)	2,250,391
Balance of purchase	151,209
Earn-out payable in shares	982,497
	5,184,097
Assets acquired	
Cash	95,041
Trade and other receivables	5,464
Trademarks	640,000
Customer relations	1,876,000
Goodwill	2,653,499
	5,270,004
Liabilities assumed	
Trade and other payables	85,907
	85,907
Consideration paid	5,184,097

The Company incurred acquisition costs totalling \$47,500.

Since the acquisition date, Imoto generated revenues totaling \$3,326,409 and a net loss of \$69,319.

Since October 1st, 2021, Imoto generated revenues totaling \$3,962,984 and a net loss of \$221,811.

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2023 and 2022 and September 30, 2022

(in Canadian dollars)

NOTE 2. ACQUISITION OF BUSINESSES (Continued)

Agento Marketing

On December 15, 2021, the Corporation acquired 100% of the shares of 10366358 Canada Inc. ('Agento Marketing'), a real estate photography agency, in exchange of the

- Issuance of 1,518,987 common shares of the Company at a price of \$0.78 per share and discounted by 11% since the shares cannot be traded for a period of 4 months;
- Contingent payment ('earn-out') of up to \$600,000, payable in shares on December 15, 2022.

The allocation of the identifiable assets acquired and liabilities assumed on the acquisition are as follows:

	\$
Consideration paid	
Issuance of common shares (note 10)	1,054,481
Earn-out payable in shares	264,314
	1,318,795
Consideration receivable (working capital adjustment clause)	(52,021)
Net consideration paid	1,266,774
 Assets acquired	
Cash	(334)
Trade and other receivables	41,387
Prepaid expenses	500
Property and equipment	19,014
Right-of-use assets	19,846
Customer relations	621,000
Goodwill	810,334
	1,511,747
 Liabilities assumed	
Trade and other payables	63,574
Lease liabilities	19,846
Deferred income taxes	161,553
	244,973
Net consideration paid	1,266,774

The Company incurred acquisition costs totalling \$4,500.

Since the acquisition date, Agento Marketing generated revenues totaling \$687,276 and a net loss of \$69,781.

Since October 1st, 2021, Agento Marketing generated revenues totaling \$844,558 and a net loss of \$65,793.

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2023 and 2022 and September 30, 2022

(in Canadian dollars)

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and evaluation of interim condensed financial statements

The consolidated financial statements are prepared using the significant accounting policies described in the present note. These methods have been applied consistently to all periods presented in these consolidated financial statements.

These consolidated financial statements have been prepared on a historical cost basis except for the embedded derivatives on convertible debentures and warrants in

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Corporation.

Basis of consolidation

The consolidated financial statements include those of the parent company and its wholly-owned subsidiaries, Immersolution (Canada), Immersolution (Mexico), EGP Technovirtuel Inc., Graphic ID Solutions Inc., Urbanimmersive USA Corporation since November 5, 2021, Agence Immophoto Inc. since November 24, 2021, Virtual Access Tours LP since December 3, 2021, Imoto LLC since December 10, 2021, Agento Marketing since December 15, 2021 and HomeVisit, LLC since October 20, 2022. The parent company controls its subsidiaries if exposed, or has rights to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. The annual reporting date of the subsidiaries is September 30.

All transactions and balances between group companies are eliminated upon consolidation, including unrealized profits and losses on transactions between group companies. The amounts presented in the financial statements of the subsidiary have been adjusted as needed so that they comply with the accounting policies adopted by the

Net earnings (loss) and other comprehensive income (loss) of a subsidiary acquired or disposed of during the reporting period are recognized from the effective date of the acquisition, or up to the effective date of disposal, as applicable.

Business combination

The Corporation applies the purchase method to account for business combinations. The consideration transferred by the Corporation to obtain control of a subsidiary is calculated as the sum, at the acquisition date, of the fair values of the transferred assets, the debts incurred and the equity securities issued by the Corporation, which include the fair value of all assets or liabilities resulting from any counterparty agreement. Acquisition costs are expensed when incurred. Assets acquired and liabilities assumed are generally measured at their fair value on the date of acquisition.

Foreign entities

In 2022, the Corporation formed a subsidiary in the United States, Urbanimmersive USA Inc., which acquired three US entities: Virtual Access Tours LP and Imoto LLC. The assets and liabilities of a foreign entity whose functional currency is different from that of the Corporation are converted into Canadian dollars at the exchange rate in effect on the closing date. Revenues and expenses are translated into Canadian dollars at the average monthly exchange rate at which the transactions take place. Exchange gains and losses resulting from the conversion of foreign operations are recognized in other comprehensive income and are reclassified to profit or loss on the complete or partial disposal of the investment in the foreign operation.

Transactions in foreign currencies

Transactions in foreign currencies are converted into the functional currency of the Corporation at the exchange rates in effect on the date of the transactions (current rate). Exchange gains and losses resulting from the settlement of these transactions and from the revaluation of monetary items at the exchange rate in effect at the end of the financial year are recognized in profit or loss. Non-monetary items are not reconverted at the end of the financial year and are valued at historical cost (converted at the exchange rate on the date of the transaction), with the exception of non-monetary items measured at fair value, which are converted at the exchange rate in effect on the date on which the fair value was determined.

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2023 and 2022 and September 30, 2022

(in Canadian dollars)

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

The Corporation reports and discloses segment information on the same basis as the information reviewed on a regular basis by the CEO, the CFO and the Board of Directors.

The Corporation operates in three distinct operational segments, Software, Photographic Equipment and Services.

The Software segment offers a SaaS marketing platform to professional photographers and other immersive visual content providers.

The Photographic Equipment segment offers a resale service of 3D photographic equipment.

The Service segment offers real estate photography and floor plans and measurements services.

Each segment is managed independently since each requires different technologies and other resources, as well as separate marketing. All intersegment transactions are carried out at prices reflecting arm's length conditions based on the prices charged to unrelated customers for an identical product or service. For management purposes, the Corporation uses the same valuation methods as those used in its consolidated financial statements.

Revenue recognition

Revenues derived from ongoing activities are measured at the fair value of the consideration received or to be received and are recognized when the amount can be measured reliably and it is probable that future economic benefits will flow to the Corporation, when the transaction amount is determined that collection is reasonably assured and the costs incurred or to be incurred can be measured reliably.

Products that do not meet the recognition criteria or that are paid before the delivery of services are recorded as deferred revenue. They are classified either as current or non-current liabilities depending on the expected period of services to be rendered.

In addition to the general principles outlined above, the Corporation applied the following specific principles:

The Corporation has developed SaaS platforms for professional photographers and other immersive visual content providers, commonly named Urbanimmersive and

With regards to the Urbanimmersive SaaS platform, the revenue is recognized when the service is rendered to the photographer.

With regards to the Tourbuzz platform, photographers acquire units that can be used to offer various photographic products to their customers. The invoice is produced at the time of the purchase of the units and payable immediately by credit card. The revenue is recognized when the units are used.

With regards to the resale of 3D photographic equipment, revenues are recognized when invoiced and shipped to customers.

With regards to real estate photography services, revenue is recognized when the service is rendered to the photographer.

URBANIMMERSIVE INC.

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NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes cost of goods purchased less discounts. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the normal course of business, less applicable variable selling expenses.

Property and equipment

Property and equipment are stated at historical cost, less any accumulated amortization and any accumulated impairment losses. Historical cost includes all costs directly attributable to the acquisition.

Amortization of property and equipment is calculated, on components that have homogeneous useful lives, using the straight-line method over the following estimated useful lives:

Building	25 years
Office improvements	10 years
Office furniture	5 years
Computer and photographic equipment	3 and 4 years

Useful lives, residual values, amortization rates and amortization methods are reviewed annually. Such a review takes into consideration the nature of the assets, their intended uses and technological changes. Gain or loss on disposal is determined by comparing the proceeds with the carrying amount and is recognized in profit or loss.

Intangible assets

Intangible assets with a finite useful life are stated at historical cost, less any accumulated amortization and any accumulated impairment losses. Historical cost includes all costs directly attributable to the acquisition.

Amortization of intangible assets is calculated using the straight-line method over the following estimated useful lives:

Customer relations	10 years
Technological platforms and software	5 and 10 years
Patents and trademarks	10 years

Useful lives, residual values, amortization rates and amortization methods are reviewed annually. Such a review takes into consideration the nature of the assets, their intended uses and technological changes. Gain or loss on disposal represents the difference between the proceeds and the carrying amount and is recognized in profit or loss.

Goodwill

Goodwill represents the excess of the cost of acquiring a business over the net amount of fair value assigned to the identifiable assets acquired and liabilities assumed. Goodwill is not amortized. It is tested for impairment annually during the fourth quarter or more frequently if events or changes in circumstances indicate that it has been

Government grant

Government grant relating to current expenses is recorded as a reduction of the related expenses. Government grant is recognized during the fiscal year in which the current expenses are incurred, provided the Company is reasonably certain that it will materialize.

Leases

When a contract is entered into, the Corporation assesses whether the contract is or contains a lease, whether it confers the right to control the use of a specified asset for a period of time in exchange for consideration. Leases are recognized in the consolidated statement of financial position by recognizing a right-of-use asset and a lease liability, except for leases with a term of 12 months or less and for leases whose underlying asset is of low value, which are taken to income on a straight-line basis over the term of the lease.

The right-of-use asset is measured at cost, which corresponds to the initial measurement of the lease obligation. Amortization is calculated over the shorter of the lease term and the estimated useful life on a straight-line basis. The lease liability is initially measured at the present value of future lease payments using the rate implicit in the lease, if readily determinable, or the Company's incremental borrowing rate. The rental obligation is then valued at amortized cost using the effective interest rate method.

URBANIMMERSIVE INC.

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(in Canadian dollars)

NOTE 4. TRADE AND OTHER RECEIVABLES

	June 30, 2023	Sept. 30, 2022
	\$	\$
Trade receivables	432,917	201,577
Allowance for expected credit losses	(23,751)	(12,404)
	409,166	189,173
Sales taxes	16,293	15,891
Income taxes receivable	-	21,740
Consideration receivable from acquisitions of businesses	136,084	81,839
	<u>561,543</u>	<u>308,643</u>

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 5. PROPERTY AND EQUIPMENT

	Building	improvements	Computer and photography equipment	Vehicle	Total
	\$	\$	\$	\$	\$
Cost					
Balance as at October 1, 2021	708,147	358,177	500,124	-	1,566,448
Acquisitions	-	5,378	185,052	-	190,430
Disposals	-	-	(88,645)	-	(88,645)
Acquisitions of businesses (note 2)	-	-	20,701	-	20,701
Balance as at September 30, 2022	708,147	363,555	617,232	-	1,688,934
Acquisitions	-	-	144,406	-	144,406
Acquisitions of businesses (note 2)	-	248,124	4,869	20,045	273,038
Balance as at June 30, 2023	<u>708,147</u>	<u>611,679</u>	<u>766,507</u>	<u>20,045</u>	<u>2,106,378</u>
Accumulated amortization					
Balance as at October 1, 2021	32,837	39,099	391,372	-	463,308
Amortization	28,325	40,207	47,383	-	115,915
Disposal	-	-	(4,287)	-	(4,287)
Balance as at September 30, 2022	61,162	79,306	434,468	-	574,936
Amortization	20,771	58,262	70,357	5,265	154,655
Balance as at June 30, 2023	<u>81,933</u>	<u>137,568</u>	<u>504,825</u>	<u>5,265</u>	<u>729,591</u>
Carrying amount					
Balance as at September 30, 2022	<u>646,985</u>	<u>284,249</u>	<u>182,764</u>	<u>-</u>	<u>1,113,998</u>
Balance as at June 30, 2023	<u>626,214</u>	<u>474,111</u>	<u>261,682</u>	<u>14,780</u>	<u>1,376,787</u>

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2023 and 2022 and September 30, 2022

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NOTE 6. INTANGIBLE ASSETS

	Customer relations	Patents and trademarks	Software, websites and technological platforms	Distribution Agreement	Total
	\$	\$	\$	\$	\$
Cost					
Balance as at October 1, 2021	4,105,321	229,193	3,409,702	66,576	7,810,792
Acquisitions of businesses (note 2)	3,104,000	709,000	-	-	3,813,000
Acquisitions	-	-	338,453	-	338,453
Internally generated	-	-	218,983	-	218,983
	<u>7,209,321</u>	<u>938,193</u>	<u>3,967,138</u>	<u>66,576</u>	<u>12,181,228</u>
Balance as at September 30, 2022	7,209,321	938,193	3,967,138	66,576	12,181,228
Acquisitions of businesses (note 2)	2,500,000	850,000	-	-	3,350,000
Internally generated	-	-	149,378	-	149,378
	<u>9,709,321</u>	<u>1,788,193</u>	<u>4,116,516</u>	<u>66,576</u>	<u>15,680,606</u>
Balance as at June 30, 2023	<u>9,709,321</u>	<u>1,788,193</u>	<u>4,116,516</u>	<u>66,576</u>	<u>15,680,606</u>
Accumulated amortization					
Balance as at October 1, 2021	1,476,124	41,861	1,147,722	10,819	2,676,526
Amortization	600,833	80,326	429,626	1,678	1,112,463
Reevaluation (a)	-	-	-	54,079	54,079
	<u>2,076,957</u>	<u>122,187</u>	<u>1,577,348</u>	<u>66,576</u>	<u>3,843,068</u>
Balance as at September 30, 2022	2,076,957	122,187	1,577,348	66,576	3,843,068
Amortization	668,164	125,226	378,019	-	1,171,409
	<u>2,745,121</u>	<u>247,413</u>	<u>1,955,367</u>	<u>66,576</u>	<u>5,014,477</u>
Balance as at June 30, 2023	<u>2,745,121</u>	<u>247,413</u>	<u>1,955,367</u>	<u>66,576</u>	<u>5,014,477</u>
Carrying amount					
Balance as at September 30, 2022	<u>5,132,364</u>	<u>816,006</u>	<u>2,389,790</u>	<u>-</u>	<u>8,338,160</u>
Balance as at June 30, 2023	<u>6,964,200</u>	<u>1,540,780</u>	<u>2,161,149</u>	<u>-</u>	<u>10,666,129</u>

(a) Following the termination of the Matterport photography equipment distribution agreement in Canada in January 2022, the value of this distribution agreement has been reduced to nil.

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 7.

GOODWILL

	June 30, 2023	September 30, 2022
	\$	\$
Balance, beginning of period	8,247,679	4,231,914
Acquisitions of businesses (a) (note 2)	2,484,201	4,240,331
Impairment (b)	-	(224,566)
	<u>10,731,880</u>	<u>8,247,679</u>

(a) Goodwill was tested for impairment as of September 30, 2022 and 2021 for all cash-generating units ('CGU').

(b) Following the termination of the Matterport photography equipment distribution agreement in Canada in January 2022, Photography Equipment (Immersolution) goodwill has been written off.

URBANIMMERSIVE INC.

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NOTE 8. BANK INDEBTEDNESS

The Corporation benefits from a line of credit of a maximum of \$240,000 with a financial institution, bearing interest at the financial institution variable rate plus 1.50% (7.20% as at June 30, 2023). This credit line is secured by a first mortgage of \$3,000,000 on all present and future movable property.

The Corporation benefits from a line of credit of a maximum of \$75,000 with a financial institution, bearing interest at the financial institution variable rate plus 1.00% (8.20% as at June 30, 2023). This credit line is secured by a first mortgage of \$86,250 on all present and future movable property.

The Corporation benefits from a line of credit of a maximum of \$US 35,000 with a financial institution and bearing interest at 14.00% and secured by a first mortgage of the same amount on all present and future movable property of Virtual Access Tours LP.

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NOTE 9.	LONG-TERM DEBT	June 30, 2023	September 30, 2022
		\$	\$
	Term loan bearing interest at the financial institution variable rate plus 9.50% (14.70% as at June 30, 2023), maturing in June 2024 and repayable in 3 monthly equal installments of \$32,222 from March to May 2024 and the balance at maturity. This loan is secured at 50% by Export Development Canada ("EDC") and by a first mortgage of \$3,000,000 on all present and future movable property.	747,559	812,003
	Term loan bearing interest at the financial institution variable rate plus 3.00% (8.70% as at June 30, 2023), maturing in June 2024 and repayable in 11 monthly equal installments of \$3,345 from July 2023 to May 2024 and the balance at maturity. This loan is secured by a first mortgage of \$1,000,000 on all present and future movable property. (a)	841,305	850,824
	Term loan bearing interest at the financial institution variable rate plus 9.50% (14.70% as at June 30, 2023), maturing in June 2024 and repayable in 3 monthly equal installments of \$44,444 from March to May 2024 and the balance at maturity. This loan is secured at 50% by Export Development Canada ("EDC") and by a first mortgage of \$4,000,000 on all present and future movable property. The balance of this term loan is presented net of unamortized issuance costs of \$2,750.	1,863,918	1,948,681
	Promissory Note bearing interest of 7.50% capitalized on the Note, maturing on October 19, 2027 and no capital repayments. The Promissory Note is secured by a second ranking hypothec of \$7,721,802 on all present and future movable property.	5,884,144	-
	Loans of \$100,000, guaranteed by the Government of Canada, bearing no interest until December 31, 2023 (b).	70,000	70,000
		<u>9,406,926</u>	<u>3,681,508</u>
	Current portion of long-term debt	<u>3,522,782</u>	<u>3,611,508</u>
		<u>5,884,144</u>	<u>70,000</u>

(a) Under its term loans, the Company has not complied throughout the period with all of its restrictive covenants. However, the lender agree to waive defaults in the

(b) The Corporation was granted a loan of \$100,000 under the Canada Emergency Business Account program. If the Company repays an amount of \$70,000 of the loan by December 31, 2023, no further amount will be repayable. Otherwise, the balance of the loan will bear interest at the rate of 5% and can be either repayable in 36 monthly installments, principal and interest, or repayable at maturity on December 31, 2025. Given that Government assistance of \$30,000 is not repayable if the Company repays the amount of \$70,000 by December 31, 2023, this amount was recognized in income at the time of the grant as government grant.

URBANIMMERSIVE INC.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 10. SHARE CAPITAL

Authorized

Unlimited number of shares, without par value

Transactions on share capital

2021-2022

On October 7, 2021, the Company closed a non-brokered private placement of 134,894 units at a price of \$0.94 per unit (\$126,800) with \$106,556 which was allocated to share capital and the residual value of \$20,234 was allocated to the provision for share options and warrants. Each unit consists of one common share of the Corporation and one warrant entitling the holder to purchase one additional common share of the Company at a price of \$1.13 per share until September 29, 2023.

On November 24, 2021, the Corporation issued 103,093 common shares at a fair value of \$0.8366 per share for a total of \$86,248 as consideration paid for the acquisition of Immophoto Inc. As part of this issuance, the Corporation incurred fees totaling \$1,750.

On November 24, 2021, the Corporation issued 15,464 common shares at a price of \$0.97 per share (\$15,000) as consideration paid for the acquisition of the technological platform of Tours Virtuales.

On December 3rd, 2021, the Corporation issued 585,829 common shares at a fair value of \$0.712 per share for a total of \$417,111 as consideration paid for the acquisition of Virtual Access Tours LP. As part of this issuance, the Corporation incurred fees totaling \$3,063.

On December 10, 2021, the Corporation issued 349,828 common shares at a price of \$0.85 per share (\$297,354) as consideration paid for the acquisition of the technological platform of Stilio.

On December 15, 2021, the Corporation issued 1,518,987 common shares at a fair value of \$0.6942 per share for a total of \$1,054,481 as consideration paid for the acquisition of Agento Marketing. As part of this issuance, the Corporation incurred fees totaling \$6,500.

On January 3, 2022, the Corporation issued 3,157,115 common shares at a fair value of \$0.7128 per share for a total of \$2,250,391 as consideration paid for the acquisition of Imoto LLC. As part of this issuance, the Corporation incurred fees totaling \$16,965.

For the nine-month period ended June 30, 2022, the Corporation issued 202,560 common shares at a price of \$0.625 per share for a total of \$141,792, including \$15,192 coming from the reserve for the share options and warrants) upon conversion of warrants.

For the nine-month period ended June 30, 2022, the Corporation issued 100,000 common shares at a price of \$0.362 per share for a total of \$68,696, including \$32,446 coming from the reserve for the share options and warrants, upon conversion of options.

For the nine-month period ended June 30, 2022, the Corporation issued 359,287 common shares at a price of \$0.55 per share (\$196,540) as compensation paid in shares to

2022-2023

On October 20, 2022, the Corporation issued 9,287,707 common shares at a fair value of \$0.29 per share for a total of \$2,727,800 as consideration paid for the acquisition of HomeVisit, LLC. As part of this issuance, the Corporation incurred fees totaling \$20,912.

For the nine-month period ended June 30, 2023, the Corporation issued 3,857,942 common shares at a price of \$0.08 per share (\$309,945) as compensation paid in shares to Management.

On June 28, 2023, the Corporation completed a non-brokered private placement of 11,538,461 units at a price of \$0.065 (\$750,000) of which \$138,462 was allocated to share capital and the residual value of \$611,538 was allocated to the provision for share options and warrants. Each unit consists of one common share of the Corporation and a warrant entitling the holder to purchase one additional common share of the Corporation at a price of \$0.10 per share until June 27, 2026.

URBANIMMERSIVE INC.

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NOTE 11. SHARE OPTIONS AND WARRANTS

Share option plan

The Corporation adopted a share option plan (the "option plan") whereby a maximum of 10% of common shares issued and outstanding is reserved for the issuance of non-transferable options to directors, officers, employees and consultants. The option plan provides that the terms and conditions of the options and the exercise price of options will be determined by the directors subject to price restrictions and other requirements imposed by the TSX. The period for exercising the options granted under the option plan cannot exceed a period of 10 years and the exercise price must be fully paid before the issuance of shares. Options may expire before the expiry date in case of death or disability of the holder or in case of termination of employment or mandate of the holder. The options vest 1/3 per year as 12 months following the grant date, unless otherwise decided by the Board of Directors.

The following table shows the changes in share options:

	June 30, 2023		September 30, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	1,810,000	0.66	1,185,669	0.59
Granted	3,072,500	0.15	1,147,500	0.73
Expired	(216,665)	0.430	(106,000)	1.00
Exercised	-	-	(100,000)	0.36
Forfeited	(910,000)	0.53	(317,169)	0.67
	<u>3,755,835</u>	<u>0.22</u>	<u>1,810,000</u>	<u>0.66</u>
Outstanding, end of period				
	<u>3,755,835</u>	<u>0.22</u>	<u>1,810,000</u>	<u>0.66</u>
Exercisable, end of period	<u>863,500</u>	<u>0.51</u>	<u>532,224</u>	<u>0.53</u>

The following table presents the details of share options outstanding:

	June 30, 2023		September 30, 2022	
Exercise price	Number of options outstanding	Estimated contractual time remaining in years	Number of options outstanding	Estimated contractual time remaining in years
\$				
0.050	1,650,000	4.92	-	-
0.250	682,500	4.72	-	-
0.270	100,000	4.73	-	-
0.300	328,335	3.54	133,200	2.32
0.350	20,000	4.24	20,000	4.99
0.375	60,000	0.78	100,000	1.53
0.400	50,000	2.33	236,800	3.08
0.625	-	-	30,000	0.25
0.720	560,000	3.57	900,000	4.32
0.850	205,000	2.54	255,000	3.29
0.925	20,000	1.61	20,000	2.36
0.940	80,000	3.25	80,000	4.00
1.100	-	-	35,000	3.52
	<u>3,755,835</u>		<u>1,810,000</u>	

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NOTE 11. SHARE OPTIONS AND WARRANTS (Continued)

Warrants

The following table shows the changes in warrants:

	June 30, 2023		September 30, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	3,152,500	1.14	4,490,947	1.14
Issued	11,538,461	0.10	134,894	1.13
Exercised	-	-	(202,560)	0.625
Expired	<u>(3,017,616)</u>	<u>1.20</u>	<u>(1,270,781)</u>	<u>1.07</u>
Outstanding and exercisable, end of period	<u><u>11,673,345</u></u>	<u><u>1.13</u></u>	<u><u>3,152,500</u></u>	<u><u>1.14</u></u>

The number of outstanding warrants is as follow:

Expiry date	Exercise price	Number of warrants outstanding
	\$	
September 29, 2023	1.13	134,894
June 27, 2026	<u>0.10</u>	<u>11,538,461</u>
	<u><u>0.11</u></u>	<u><u>11,673,355</u></u>

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NOTE 12.	NET EARNINGS (LOSS) PER SHARE			
	June 30, 2023 (3 months)	June 30, 2022 (3 months)	June 30, 2023 (9 months)	June 30, 2022 (9 months)
	\$	\$	\$	\$
Numerator:				
Net loss	(1,631,486)	(285,034)	(4,560,070)	(1,862,794)
Denominator				
Weighted average number of common shares outstanding	46,917,023	36,919,251	45,815,364	34,925,285
Effect of potential dilutive securities				
Share options	756,606	23,411	1,640,966	195,173
Warrants	-	-	-	-
Total potential dilutive securities	<u>756,606</u>	<u>23,411</u>	<u>1,640,966</u>	<u>195,173</u>
Adjusted denominator for diluted net income (loss) per share	47,673,629	36,942,662	47,456,330	35,120,458
Basic net loss per common share	<u>(0.03)</u>	<u>(0.01)</u>	<u>(0.10)</u>	<u>(0.05)</u>
Diluted net loss per common share	<u>(0.03)</u>	<u>(0.01)</u>	<u>(0.10)</u>	<u>(0.05)</u>

For the nine-month period ended June 30, 2023, the calculation of the diluted net loss per share excludes warrants outstanding as well as earn-outs payable as a result of their anti-dilutive effect.

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NOTE 13. SUPPLEMENTARY INFORMATION ON THE STATEMENT OF INCOME

	June 30, 2023 (3 months)	June 30, 2022 (3 months)	June 30, 2023 (9 months)	June 30, 2022 (9 months)
	\$	\$	\$	\$
Cost of goods sold	33,599	18,649	179,726	84,906
Subcontracting - Photographers	529,588	652,120	1,681,164	1,081,754
Subcontracting - Others	273,892	204,338	712,440	480,411
Wages and employee benefits	1,284,747	1,041,137	4,373,996	2,690,949
SR&ED credits	-	-	-	(40,000)
CEWS wage subsidy	232,380	-	232,380	(32,315)
Share-based payments	90,563	133,448	283,044	238,687
Share payments	186,357	26,750	309,495	196,540
Sales commissions	3,563	22,049	36,620	34,906
Consulting fees	23,576	75,918	194,168	257,463
Professional fees	121,405	38,183	235,777	155,881
Office expenses	24,408	32,713	98,497	94,252
Utilities	8,886	24,793	46,742	59,299
Rent	28,617	12,066	157,294	39,045
Equipment rental	804	(1,373)	2,426	2,481
Representation and travel	31,860	67,578	109,425	98,726
Regulatory fees	25,114	9,958	60,479	54,795
Delivery charges	120,707	6,586	323,231	10,882
Advertising and promotion	3,686	74,523	79,812	206,272
Insurance	20,745	4,127	76,877	29,921
Licence and product development	130,111	124,704	392,691	258,699
Credit card processing fees	75,382	64,022	226,946	138,816
Hosting fees	95,544	95,419	383,812	262,814
Exchange loss (gain)	(29,474)	(15,485)	10,925	(569)
Bad debts	53	-	(81,500)	(4,469)
Business acquisitions and set up costs	-	-	67,455	53,153
Transition charges	71,739	-	602,406	-
Restructuring charges	-	-	-	60,000
Other	10,599	1,746	37,340	5,863
	<u>3,398,451</u>	<u>2,713,969</u>	<u>10,833,668</u>	<u>6,519,162</u>
Direct charges	1,616,317	1,436,308	4,830,061	2,865,545
Operating expenses	<u>1,782,126</u>	<u>1,277,661</u>	<u>6,003,599</u>	<u>3,653,617</u>
	<u>3,398,443</u>	<u>2,713,969</u>	<u>10,833,660</u>	<u>6,519,162</u>

URBANIMMERSIVE INC.

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(in Canadian dollars)

NOTE 14. FINANCIAL EXPENSES	June 30, 2023 (3 months)	June 30, 2022 (3 months)	June 30, 2023 (9 months)	June 30, 2022 (9 months)
	\$	\$	\$	\$
Amortization - Issuance costs of long-term debts	1,375	1,375	4,125	5,186
Interest on long-term debts	99,429	57,933	298,044	132,156
Interest on the promissory note	120,322	-	334,523	-
Theoretical interest on lease liabilities	21,669	3,508	43,124	4,997
Interest and bank charges	63,653	19,724	101,877	54,651
Other financial fees	10,030	9,880	32,580	41,380
	<u>316,478</u>	<u>92,420</u>	<u>814,273</u>	<u>238,370</u>

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NOTE 15. ADDITIONAL CASH FLOW INFORMATION

Changes in working capital items

	June 30, 2023 (3 months)	June 30, 2022 (3 months)	June 30, 2023 (9 months)	June 30, 2022 (9 months)
	\$	\$	\$	\$
Trade and other receivables	147,321	63,955	628,839	(54,424)
Inventories	-	15,053	195	81,143
Research and development credits receivable	-	-	-	(40,000)
Prepaid expenses	79,536	69,014	127,301	(29,363)
Trade and other payables	368,191	8,624	795,169	275,732
Deferred revenues	<u>(14,632)</u>	<u>30</u>	<u>(203,116)</u>	<u>(3,884)</u>
	<u>580,416</u>	<u>156,676</u>	<u>1,348,388</u>	<u>229,204</u>

Additional disclosures regarding cash flows that did not result in a cash outflow:

	June 30, 2023 (3 months)	June 30, 2022 (3 months)	June 30, 2023 (9 months)	June 30, 2022 (9 months)
			\$	\$
Share capital				
Issuance of shares as part of the acquisition of businesses	-	-	2,727,800	1,812,600
Issuance of shares as part of the acquisition of intangible assets	-	-	-	312,354
Bonus paid in shares	186,357	22,400	309,495	188,048

NOTE 16. RELATED PARTIES

Related parties are the members of the Board of Directors, the President and the Vice-Presidents. The remuneration of key management personnel includes the following expenses:

	June 30, 2023 (3 months)	June 30, 2022 (3 months)	June 30, 2023 (9 months)	June 30, 2022 (9 months)
			\$	\$
Wages and employee benefits	81,499	93,639	298,895	283,244
Share-based payments	21,841	10,497	66,362	48,532
Share payments	<u>186,357</u>	<u>22,400</u>	<u>309,495</u>	<u>188,048</u>
	<u>289,697</u>	<u>126,536</u>	<u>674,752</u>	<u>519,824</u>

These transactions, entered into the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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NOTE 17. COMMITMENTS

As part of the EDC guarantee described in Note 9, the Corporation will have to pay a guarantee fee of \$59,800, including \$29,800 in 2023 and \$32,000 in 2024.

Lease liabilities

On March 28, 2023, the Corporation signed a 3-year extension of its lease for the occupation of the HomeVisit premises until September 30, 2026 to pay a residual rent of US\$457,864 including US\$53,298 in 2023, 150,069 US\$ in 2024, US\$156,822 in 2025 and US\$97,675 in 2026.

The Corporation signed a lease for its Imoto office until February 2024 with remaining payments totaling \$US 21,000, including \$12,600 in 2023 and \$8,400 in 2024.

The Corporation signed a printing equipment rental agreement until June 2024 to disburse a residual amount of US\$268,191, including US\$59,845 in 2023 and US\$208,346 in 2024.

The Corporation signed a lease for its photography equipment until March 2027 with remaining payments totaling \$86,301, including \$6,021 in 2023, \$24,084 in 2024, 2025 and 2026 and \$8,028 in 2027.

The Corporation signed a lease for a vehicle until May 2024 with remaining payments totaling \$7,974, including \$2,175 in 2023 and \$5,799 in 2024.

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NOTE 18. OPERATING SEGMENT

The Corporation has three distinct business segments, namely Software, Photography Equipment and Services. Head office is not a segment and is presented for reconciliation purposes.

June 30, 2023 (3 months)

	Software	Photography Equipment	Services (1)	Head office	Total
	\$	\$	\$	\$	\$
Segmented revenues	647,147	5,428	2,030,878	-	2,683,453
COGS and direct charges	<u>(151,951)</u>	<u>(0)</u>	<u>(1,464,365)</u>	<u>-</u>	<u>(1,616,317)</u>
Segmented gross margin (before amortization)	495,195	5,428	566,513	-	1,067,136
Operating expenses	<u>(320,932)</u>	<u>-</u>	<u>(673,230)</u>	<u>(787,964)</u>	<u>(1,782,126)</u>
Segmented operational income (before amortization)	<u>174,263</u>	<u>5,428</u>	<u>(106,717)</u>	<u>(787,964)</u>	<u>(714,990)</u>
Amortization					603,736
Operational income					<u>(1,318,726)</u>

(1) Operating expenses includes \$57,837 of non-recurring transition charges and \$232,380 of over collected CEWS wage subsidiaries.

June 30, 2022 (3 months)

	Software	Photography Equipment (1)	Services	Head office	Total
	\$	\$	\$	\$	\$
Segmented revenues	600,837	17,058	2,232,303	-	2,850,198
COGS and direct charges	<u>(84,337)</u>	<u>(25,609)</u>	<u>(1,326,362)</u>	<u>-</u>	<u>(1,436,308)</u>
Segmented gross margin (before amortization)	516,500	(8,551)	905,941	-	1,413,890
Operating expenses	<u>(246,002)</u>	<u>-</u>	<u>(681,002)</u>	<u>(350,657)</u>	<u>(1,277,661)</u>
Segmented operational income (before amortization)	<u>270,498</u>	<u>(8,551)</u>	<u>224,939</u>	<u>(350,657)</u>	<u>136,229</u>
Amortization					336,221
Operational income					<u>(199,992)</u>

(1) Revenues include \$8,360 of royalties related to a photography equipment distribution agreement in Canada.

June 30, 2023 (9 months)

	Software	Photography Equipment	Services (1)	Head office	Total
	\$	\$	\$	\$	\$
Segmented revenues	1,676,892	6,637	6,555,175	-	8,238,704
COGS and direct charges	<u>(438,261)</u>	<u>29,175</u>	<u>(4,420,974)</u>	<u>-</u>	<u>(4,830,061)</u>
Segmented gross margin (before amortization)	1,238,630	35,812	2,134,201	-	3,408,643
Operating expenses	<u>(1,370,536)</u>	<u>-</u>	<u>(2,969,740)</u>	<u>(1,663,323)</u>	<u>(6,003,599)</u>
Segmented operational income (before amortization)	<u>(131,905)</u>	<u>35,812</u>	<u>(835,539)</u>	<u>(1,663,323)</u>	<u>(2,594,956)</u>
Amortization					1,635,294
Operational income					<u>(4,230,250)</u>

(1) Operating expenses includes \$530,667 of non-recurring transition charges and \$232,380 of over collected CEWS wage subsidiaries.

June 30, 2022 (9 months)

	Software	Photography Equipment (1)	Services	Head office	Total
	\$	\$	\$	\$	\$
Segmented revenues	1,744,575	93,485	4,189,198	-	6,027,258
COGS and direct charges	<u>(332,558)</u>	<u>(97,889)</u>	<u>(2,435,098)</u>	<u>-</u>	<u>(2,865,545)</u>
Segmented gross margin (before amortization)	1,412,017	(4,404)	1,754,100	-	3,161,713
Operating expenses	<u>(1,154,821)</u>	<u>(97,800)</u>	<u>(1,335,995)</u>	<u>(1,065,001)</u>	<u>(3,653,617)</u>
Segmented operational income (before amortization)	<u>257,196</u>	<u>(102,204)</u>	<u>418,105</u>	<u>(1,065,001)</u>	<u>(491,904)</u>
Amortization					904,441
Operational income					<u>(1,396,345)</u>

(1) Revenues include \$62,860 of royalties related to a photography equipment distribution agreement in Canada.

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NOTE 19. CONTINGENT LIABILITIES

Dispute

On January 25, 2023, the Corporation received a request for a claim in connection with a business acquisition made during the fiscal year ended September 30, 2022. The Corporation has analyzed the merits of this request and taken the necessary legal steps in order to respond to this claim along with our insurer who will cover the claim. The Corporation has determined that no provision should be recognized in the condensed interim financial statements as of June 30, 2023, in particular considering the low probability that an indemnity will have to be paid and that the amount of any indemnity cannot be reliably estimated.

NOTE 20. SUBSEQUENT EVENTS