# NEXTGEN DIGITAL PLATFORMS INC.

**Management's Discussion and Analysis**

**For the Year ended March 31, 2023**

**(Expressed in Canadian Dollars)**

The following is the Management's Discussion and Analysis ("MD&A") of the results of operations and financial condition of NextGen Digital Platforms Inc. ("NextGen" or the "Company") as at and for the year ended March 31, 2023. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A should be read in conjunction with the Company's audited financial statements and related notes for the years ended March 31, 2023 and 2022 (the "2023 Financials"). All financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All figures are expressed in Canadian dollars unless stated otherwise.

This MD&A also covers the subsequent period up to June 14, 2024.

**Description of Business**

The Company is a Canadian technology company existing under the laws of British Columbia. On October 21, 2022, the Company changed its name from 1266457 B.C. Ltd. to NextGen Digital Platforms Inc. The Company's registered office address is Suite 2200, RBC Place, 885 West Georgia St., Vancouver, British Columbia, V6C 3E8. The Company's head office is located at 70 Trius Drive, Second Floor, Fredericton, New Brunswick, E3B 5E3.

The Company develops and acquires revenue-generating micro-technology digital platforms. The Company's first business was PCSections.com (the "Website"), an e-commerce and consumer electronics platform facilitating direct -to-consumer sales, offering premium gaming electronics and other specialized hardware. Recently, the Company has been focusing its efforts on developing a line of business referred to as Cloud AI Hosting ("Cloud AI Hosting"), a hardware-as-a-service business whereby the computing power of NextGen's specialized hardware workstations are leased to third-party end users for artificial intelligence applications, via a cloud-based portal. From time to time the Company may also evaluate and acquire or develop other micro-technology platforms.

**Corporate Developments**

Beginning in November 2022, the Company initiated the development of the Website, its inaugural platform that facilitates direct-to-consumer sales of a range of premium gaming electronics and other specialized hardware.

On March 14, 2023, the Company officially re-launched the Website in its current incarnation.

During April and May of 2023, the Website obtained authorized electronics reseller status from various large wholesalers, namely D&H Canada, Ingram Micro Inc., and Lenovo North America. As an authorized reseller, the Company is granted access to these wholesalers' comprehensive catalogues of technology products and services, which includes but is not limited to computer hardware, networking equipment, consumer electronics, and other relevant offerings. The Company also has referral agreements in place with several arm's length hardware retailers and information technology consulting firms, for potential customer referrals to the Website.

On December 16, 2023, the Company established its business line referred to as Cloud AI Hosting, a hardware-as-a-service business whereby the computing power of NextGen's specialized hardware workstations are leased to third-party end users for artificial intelligence applications, via a cloud-based portal.

**Financing Activities**

On November 16, 2022, the Company completed a private placement (the "2022 Financing") issuing 5,000,000 common shares at an issue price of $0.02 per common share for gross proceeds of $100,000.

On February 17, 2023, the Company issued 1,154,980 common shares in a private placement (the "February 2023 Financing") at a price of $0.05 per common share, for gross proceeds of $57,749.

(Expressed in Canadian Dollars)

**Overall Performance**

As at March 31, 2023, the Company had current assets of $73,040 (March 31, 2022 – $nil), including cash of $69,709 (March 31, 2022 – $nil), to settle current liabilities of $23,456 (March 31, 2022 – $13,650), for a working capital of $49,584 (March 31, 2022 – working capital deficiency of $13,650).

During the year ended March 31, 2023, the Company reported a net loss of $71,353 (loss of $0.036 per basic and diluted share), as compared to a net loss of $13,650 (loss of $13,650 per basic and diluted share) attributable to the one issued share for the prior year. The increase in net loss is primarily due to increased scope of the Website's operations and business development, as discussed in more detail under "Results of Operations".

During the year ended March 31, 2023, net cash used in the Company's operations was $64,878, as compared to $nil cash used in operations in the prior year. The change reflects the increased scope of operations and business development, following a period of inactivity in the fiscal year 2022.

During the year ended March 31, 2023, cash provided by financing activities was $157,749 (2022 – $nil). The increase in 2023 in cash provided by financing activities predominantly relates to funds raised from the 2022 Financing and the February 2023 Financing, as described in more details in "Financing Activities". In the prior year, the Company did not participate in any financing activities due to negligible activity. Subsequent to March 31, 2023, the Company completed several more private placements and raised additional funds; see "Subsequent Events" for more details.

During the year ended March 31, 2023, the Company paid $23,162 (2022 – $nil) for investments into the Website used to generate revenue from sales. In the prior year, the Company did not participate in any investing activities.

Due to the nature of the Company's businesses and the present stage of development of its businesses, the Company is subject to certain trends, risks and uncertainties. For a detailed description see "Trends, Risks and Uncertainties".

*Selected Annual Information*

Selected annual financial information, prepared in accordance with IFRS, for the Company's three most recently completed fiscal years ended March 31, 2023 are summarized as follows:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| | **$** | $ | $ |
| Revenue | **9,200** | - | - |
| Total operating expenses | **(72,318)** | (13,650) | - |
| Net loss | **(71,353)** | (13,650) | - |
| Cash | **69,709** | - | - |
| Total assets | **96,202** | - | - |
| Total liabilities | **23,456** | 13,650 | - |
| Working capital (deficiency) | **49,584** | (13,650) | - |

During the year ended March 31, 2023, the Company raised funds through private placements, completed the research and development ("R&D") of the intangible asset and used the proceeds to create the Website. The revenue for the 2023 fiscal year was generated through the Website. In 2022, the Company's operations were fairly negligible. Prior to that, its operations were inactive. Additional financial information is available on the 2023 Financials.

*Summary of Quarterly Results*

The disclosure of this information is not applicable for quarters prior to NextGen becoming a reporting issuer.

During the quarter ended March 31, 2023, the Company generated total sales revenue of $9,200 primarily comprised of sales of computer hardware through the Website (2022 – $nil). Total operating expenses for the quarter were $13,388 (2022 – $nil), for which the increase was the increased scope of operations. In the fourth quarter of 2023, the

Company raised more than $50,000 from the February 2023 Financing, while it incurred a net loss of approximately $12,000 during the period.

*Results of Operations*

The Company's results of operations for the year ended March 31, 2023 reflect mainly the revenue and cost of goods sold from commercial operations, costs incurred for the R&D phase of the Website, as well as overhead costs incurred by the Company to maintain the Website and to provide an administrative infrastructure to manage the acquisition, development and financing activities of the Company. R&D costs can be expected to increase or decrease in relation to the changes in asset acquisition and development activities,

During the year ended March 31, 2023, the Company reported a net loss of $71,353 compared to net loss of $13,650 for the prior year. Explanations of significant variances are provided below.

During the year ended March 31, 2023, the Company began commercial activity and generated total sales revenues of $9,200 primarily comprised of sales of computer hardware through the Website. The Company also recorded cost of goods sold of $8,235, for a gross profit of $965. In the prior year, the Website was still in the development stage and recorded $nil in both revenue and cost of goods sold.

During the year ended March 31, 2023, total operating expenses were $72,318, as compared to a total of $13,650 in the prior year, for an increase of $58,668. The increase in operating expenses is largely driven by a gradual increase in the scope of the Company's business activity, as NextGen continued its R&D activity in 2023. Expenses incurred on R&D increased as compared with the previous year by $4,914 to $17,914 (2022 – $13,000). Based on the results obtained, certain investments into the Website were made.

The Company incurred the following expenses in the year ended March 31, 2023:

- Professional fees of $39,323 (2022 – $nil) (see Note 14 of the 2023 Financials);
- Research and development expenses of $17,914 (2022 – $13,000) (see Note 11 of the 2023 Financials);
- Office and general expenses of $14,411 (2022 – $650); and
- Other overhead costs of $670 (2022 – $650), which include advertising and promotion and bank charges.

The increase in professional fees was due to heightened consulting, corporate advisory, and legal fees stemming from the elevated level of operating and corporate activity. As the Company commenced commercial operations, there was also a corresponding rise in the need for office and general and administrative expenses, along with marketing efforts for the Website and its products, and banking services.

## Liquidity Outlook

While NextGen has commenced generating sales, its cash flows from operations remains currently negative. The Company's level of operations is principally a function of sales of hardware, Cloud AI Hosting revenues, and availability of capital resources. The primary source of funding has been through the issuance of common shares for cash proceeds. There is no guarantee that the Company will be able to successfully complete such financings, as market conditions and business performance may dictate availability and interest.

Management is actively monitoring cash flows and managing operational activity against its budget. As of the date of the MD&A, the Company believes that it will have sufficient liquidity to continue operations for the 12-month period ending March 31, 2024. Nevertheless, management will continue to look for new sources of financing to fund its working capital and to advance the Company's operations.

## Related Party Transactions

In accordance with IAS 24 – Related Party Disclosures, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

*Management remuneration*

During the year ended March 31, 2023, directors and other members of key management personnel did not receive any remuneration (2022 – $nil).

*Other related party transactions*

During the year ended March 31, 2023, an officer, a former director and Resurgent Capital Corp. ("Resurgent"), an entity controlled by the Company's Chief Executive Officer ("CEO"), participated in the 2022 Financing and the February 2023 Financing and subscribed for an aggregate of 1,516,653 units for gross proceeds of $35,833.

During the year ended March 31, 2023, 1000103727 Ontario Limited ("Ontario Limited"), an entity controlled by the CEO charged fees of $13,750 (2022 – $nil). Out of the total amount invoiced, $1,250 (2022 - $nil) was for the use of office space, and $12,500 (2022 – $nil) was for shared corporate services support. The shared corporate services support encompasses general and administrative services, as well as corporate development and consultancy services. The general and administrative services include administrative support provided to the executives and employees of the Company. The corporate development and consultancy services include assistance with transactional documentation and the collection of deliverables. These fees are included in office and general expenses. As at March 31, 2023, $6,250 (March 31, 2022 – $nil) was owed to Ontario Limited.

During the year ended March 31, 2023, Resurgent charged fees of $nil (2022 – $13,000) for research services provided to the Company, which are included in R&D expenses. As at March 31, 2023, no balance was owed to Resurgent (March 31, 2022 – $13,650 included in accounts payable and accrued liabilities).

## Capital Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to deploy that capital to generate returns to shareholders. The management of the Company monitors its capital structure and makes adjustments according to market conditions to meet its objectives given the current outlook of the business and industry in general. The board of directors of the Company (the "Board") does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the management team to sustain the future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged since the Company's most recent financial reporting period.

The Company is not subject to any externally imposed capital requirements.

## Risk Management

The Company's financial instruments consist primarily of cash and accounts payable. The Company is exposed to various risks as it relates to these financial instruments. Management, under oversight of the Board, mitigates these risks by assessing and monitoring the Company's risk management processes. There have not been any changes in the nature of these risks or the process of managing these risks from the previous reporting periods.

*Credit risk*

Credit risk is the risk of potential loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is held with a reputable Canadian chartered bank and is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal.

*Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis.

(Expressed in Canadian Dollars)

The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at March 31, 2023 the Company had a cash balance of $69,709 (March 31, 2022 – $nil) to settle current liabilities of $23,456 (March 31, 2022 – $13,650).

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as of March 31, 2023:

| | **Carrying amount** | **Year 1** | **Year 2 to 3** | **Year 4 to 5** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Accounts payable and accrued liabilities | 23,456 | 23,456 | - | - |

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring anticipated cash flows to identify financial requirements. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations.

With the proceeds from the private placements, management believes there is sufficient capital to meet short-term business obligations, after taking into account cash flow requirements from operations and the Company's cash position as at March 31, 2023.

*Fair value*

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

As at March 31, 2023, the Company's financial instruments consisted of cash, and accounts payable and accrued liabilities. The fair value of cash and accounts payables and accrued liabilities are approximately equal to their carrying value due to their short-term nature. It did not have any financial instruments which were carried at fair value (March 31, 2022 – $nil).

**Significant Accounting Judgments and Estimates**

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. 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. These estimates are reviewed periodically, and adjustments are made as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

*Going concern*

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short- and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning. The assumptions used in management's going concern assessment are derived from actual operating results along with industry and market trends. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows, capital commitments, future financing, and the cash position at year-end.

*Fair value of financial assets and financial liabilities*

Fair value of financial assets and financial liabilities on the statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

*Impairment*

Long-lived assets, including intangible assets, are reviewed for indicators of impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is defined as the higher of: (i) value-in-use; or (ii) fair value less cost to sell. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

*Income taxes*

Income taxes and tax exposures recognized in the financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses.

When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

*Expected credit losses on financial assets*

Determining an allowance for expected credit losses ("ECL") for amounts receivable and all debt financial assets not held at fair value through profit and loss ("FVTPL") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

*Provisions*

The Company recognizes provisions if there is a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and the obligation can be reliably estimated. The amount recognized as a provision reflects management's best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

*Research and development costs*

Judgment is required to distinguish the research phase and the development phase to correctly identify costs that qualify for capitalization.

**Summary of Material Accounting Policies**

*(a) Cash*

Cash on the statements of financial position comprises bank balances held in Canadian chartered banks, which are available on demand.

*(b) Revenue from Contracts with Customers*

The Company's policy for the timing and amount of revenue to be recognized is based on the following 5-step process:

- Identify the contract with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price, which is the total consideration provided by the customer.
- Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- Recognize revenue when the relevant criteria are met for each unit (at a point in time or over time).

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods and services to a customer. Net revenue from sale of goods and services, as presented in the statements of loss and comprehensive loss, represents revenue from the sale of goods less expected price discounts and related transaction fees.

The Company's contracts with customers for the sale of equipment hardware provided consist of only one performance obligation. The Company has concluded that revenue from the sale of these products should be recognized at the point in time when control is transferred to the customer, which is on shipment of goods and time of services provided.

The Company's payment terms vary by customer types. Payment is due immediately before the transfer of control.

*(c) Financial Instruments*

Financial assets and financial liabilities, including derivatives, are recognized on the statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

*Classification*

The Company classifies its financial assets and financial liabilities in the following measurement categories: (a) those to be measured subsequently at FVTPL; (b) those to be measured subsequently at fair value through other comprehensive income ("FVTOCI"); and (c) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are recorded in profit or loss.

The Company reclassifies financial assets when its business model for managing those assets changes. Financial liabilities are not reclassified.

*Fair value through profit or loss*

This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category would also include debt instruments whose cash flow characteristics fail the solely principal and interest ("SPPI") criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at FVTPL. As at March 31, 2023 and 2022, the Company did not have any financial assets at FVTPL.

*Financial assets at fair value through other comprehensive income*

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in FVTOCI instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments.

Financial assets at FVTOCI are initially measured at fair value and changes therein are recognized in other comprehensive income (loss) ("OCI").

*Amortized cost*

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. Financial asset classified in this category are measured at amortized cost using the effective interest method.
The Company's classification of financial assets and financial liabilities under IFRS 9 – Financial Instruments ("IFRS 9") are summarized below:

| | |
|---|---|
| Cash | Amortized cost |
| Accounts payable | Amortized cost |

*Measurement*

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or OCI (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in OCI.

*Impairment of financial assets*

IFRS 9 introduced a single ECL impairment model, which is based on changes in credit quality since initial application. The adoption of the ECL impairment model had resulted in a provision of ECL recorded on the Company's statements of loss and comprehensive loss.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

*Derecognition*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

*Fair value hierarchy*

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of March 31, 2023 and 2022, the Company did not have any financial instruments measured at fair value.

*(d) Intangible Assets*

Intangible assets comprise of internally-generated assets associated with the Website, which is considered to have an indefinite useful life, and is not amortized. These intangible assets are, however, reviewed for impairment on an annual basis, and whenever there is an indicator of impairment. Management exercises judgement in estimating the probability future economic benefits expected to be achieved, which is used as the basis for impairment review on annual basis. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

*(e) Provisions*

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As of March 31, 2023 and 2022, the Company had no material provisions.

*(f) Income Taxes*

Income tax expense comprises current and deferred income tax expense. Current and deferred taxes are recognized in net loss, except to the extent that it relates to items recognized directly in equity or in OCI.

*Current income taxes*

Current income taxes are recognized and measured at the amount expected to be recovered from, or payable to, the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

*Deferred income taxes*

Deferred income taxes are recorded for temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of a deferred income tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognized deferred income tax assets are reassessed at the end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, they relate to income taxes levied by the same taxation authority and the Company has the legal rights and intent to offset.

*(g) Share Capital*

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

*(h) Share Issuance Costs*

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

*(i) Loss Per Share*

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year.

*(j) Research and Development Costs*

Expenditures during the research phase are expensed as incurred. Expenditures incurred during the development phase are capitalized as internally generated intangible assets if the Company can demonstrate each of the following criteria:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible assets and use or sell it;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

*(k) Related Party Transactions*

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

*(l) Adoption of New Accounting Policies*

Effective April 1, 2022, the Company adopted the following amendments. The Company had assessed that there was no material impact upon the adoption of these following amendments on its financial statements:

*Amendments to IAS 1 Presentation of Financial Statements ("IAS 1") and IFRS Practice Statement 2 Making Materiality Judgements*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board ("CPA Canada Handbook – AcSB") in June 2021. The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by:

- Replacing the requirement to disclose "significant" accounting policies under IAS 1 with a requirement to disclose "material" accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that primary users of general-purpose financial statements make on the basis of those financial statements; and

- Providing guidance in IFRS Practice Statement 2 to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments shall be applied prospectively. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2023. The Company early-adopted these amendments as permitted.

*Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")*

In February 2021, the IASB issued Definition of Accounting Estimates, which amended IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. The Company early-adopted these amendments as permitted.

*(m) Recent Accounting Pronouncements*

As at the date of authorization of these financial statements, the IASB and the IFRIC had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after January 1, 2024. Many are not applicable or do not have a significant impact to the Company, have been excluded. The Company had assessed that no material impact is expected upon the adoption of the following amendments on its financial statements:

*Amendments to IFRS 7 – Financial Instruments: Disclosures ("IFRS 7") and IAS 7 – Statements of Cash Flows ("IAS 7")*

In May 2023, the IASB issued disclosure-only amendments to IFRS 7 and IAS 7. The amendments require entities to disclose sufficient information necessary for users of financial statements to understand the effects of supplier finance arrangements on an entity's liabilities and cash flows, as well as on its liquidity risk and risk management. The amendments are effective for annual periods beginning on or after January 1, 2024.

## Off Balance Sheet Arrangements

As at March 31, 2023 and the date of this MD&A, the Company does not have any off-balance sheet arrangements.

## Proposed Transactions

None.

## Subsequent Events

On June 15, 2023, the Company issued 500,000 common shares in the first tranche of a private placement at a price of $0.10 per common share (the "$0.10 Financing"), for gross proceeds of $50,000.

On September 26, 2023, the Company completed a crowdfunding private placement of 298,000 special warrants at a price of $0.10 per special warrant for aggregate gross proceeds of $29,800. In connection with the closing of the crowdfunding, the Company issued an additional 200,000 compensatory special warrants to Vested Technology Corp. Each special warrant entitled the holder to receive, upon voluntary exercise or deemed exercise by the Company, one common share without payment or additional consideration. On June 3, 2024, the 498,000 special warrants were exercised for 498,000 common shares.

On October 31, 2023, the Company issued 893,295 common shares in the second tranche of the $0.10 Financing at a purchase price of $0.10 per common share, for gross proceeds of $89,329.

On March 18, 2024, the Company issued 1,300,000 common shares, at a price of $0.05 per common share as a compensation to various consultants and referral partners for their services provided to the Company.

On March 27, 2024, the Company issued 2,070,000 common shares in the third tranche of the $0.10 Financing at a purchase price of $0.10 per common share, for gross proceeds of $207,000.

**Disclosure of Outstanding Share Data as of June 14, 2024**

| | Authorized | Outstanding |
|---|---|---|
| Voting or equity securities issued and outstanding | Unlimited number of common shares | 11,416,275 common shares |

**Trends, Risks and Uncertainties**

The Company's business is subject to a number of significant risk factors. The following are certain risk factors related to the Company, its business, and ownership of its common shares. If any event arising from the risk factors set forth below occurs, the Company's business, prospects, financial conditions, results of operation or cash flows and in some cases, its reputation, could be materially adversely affected. Although the Company believes that the risk factors described below are the most material risks that it faces, they may not be the only risks the Company faces.

Additional risk factors not presently known to the Company or that the Company currently believes are immaterial could also materially and adversely affect the Company's investments, prospects, cash flows, results of operations or financial conditions and negatively affect the value of the common shares. An investment in the Company involves a high degree of risk and should be considered speculative. An investment in the Company should only be undertaken by those persons who can afford the total loss of their investment. Readers should carefully consider each of the risks and uncertainties described below, including the financial statements and accompanying notes, before investing in the Company.

*Product Innovation Risks*

The Company's success depends upon its ability to develop, test, market, and support new products and enhancements on a timely basis in response to both competitive threats and marketplace demands. In addition, products and enhancements must remain compatible with the other products and systems used by the Company's customers. If new industry standards emerge that the Company does not anticipate or adapt to, the Website and/or Cloud AI Hosting lines of business could be rendered obsolete and, as a result, its business and operating results, as well as its ability to compete in the marketplace, would be materially harmed.

The development and success of products in the artificial intelligence sector, in particular, carry inherent risks stemming from the rapidly evolving nature of this field. The dynamic and ever-changing landscape of artificial intelligence technology means that predicting the exact outcomes or market reception of artificial-intelligence-based products is uncertain. As a result, there is no assurance of achieving the desired results or widespread market acceptance within the artificial intelligence industry, and the Company's ability to innovate and adapt to emerging artificial intelligence technologies and market demands is crucial.

There can be no assurance that the Company will be successful in the introduction, marketing and production of any new products or product innovations or develop and introduce in a timely manner updates to its existing product which satisfy customer needs or achieve market acceptance. The Company's failure to develop new products and introduce them successfully and in a timely manner could harm its ability to grow its business and could have a material adverse effect on its business, results of operations and financial condition.

*Artificial Intelligence and Cloud Computing as Emerging Industries*

The artificial intelligence and cloud computing industries, including Cloud AI Hosting, are emerging industries and NextGen cannot predict the impact of the ever-evolving compliance regime in respect of these industries. Similarly, NextGen cannot predict the time required to secure all appropriate regulatory approvals for future services, or the extent of licensing and documentation that may, from time to time, be required by governmental authorities.

The growing adoption of artificial intelligence and cloud-based applications could potentially reduce the demand for high-performance PC hardware as cloud-based applications become more prevalent, negatively impacting the Website though potentially benefiting Cloud AI Hosting. Businesses and individuals may rely on cloud-based software applications and services that require less physical hardware. This shift in software consumption patterns could impact the Website's target market, affecting demand for certain types of PC hardware components. The Website's sales of gaming and productivity hardware may be affected by this trend, leading to changes in customer preferences and purchasing behavior. Adapting to this evolving landscape may require the Website to modify its product offerings.

*Global Semiconductor Shortage*

The global semiconductor shortage presents a significant risk to the availability and pricing of computer hardware components used in the Website's products. Supply chain disruptions and increased demand for semiconductors across various industries, including automotive and electronics, have led to challenges in sourcing essential components. The shortage could result in extended lead times, increased costs, and potential delays in product manufacturing and delivery by suppliers. The Website heavily relies on timely and reliable shipments from suppliers to fulfill customer orders. If the semiconductor shortage affects the suppliers' ability to deliver components promptly, it may lead to delays in order fulfillment and customer dissatisfaction. This could impact the Company's reputation, customer relationships, and financial performance.

*Data Security and Privacy Risks*

The Company's data-related activities, including data transmission, storage, and privacy protection, are subject to various laws and regulations across multiple jurisdictions. These regulations aim to safeguard consumer privacy and prevent unauthorized disclosure of personal information. While the Company implements technical safeguards, it cannot ensure complete protection against unauthorized access or breaches. If third parties gain improper access to the Company's systems or databases, confidential customer data could be compromised, resulting in severe impacts on its business, customer trust, and revenues. Breaches could lead to regulatory actions, litigation, increased operating expenses, and damage to the Company's reputation. Moreover, the implementation of mandatory data breach notifications in certain Canadian provinces may amplify negative publicity and erode customer confidence in the Company's data security measures, affecting its ability to conduct business and potentially harming its overall reputation.

Data security and privacy risks primarily pertain to the Website. Cloud AI Hosting is conducted on a third-party platform, so the Company does not collect or store customer data for this service.

*Information Technology Systems, Cyber-Attacks and Security Breaches*

The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, information technology ("IT") systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company is susceptible to operational, financial and information security risks resulting from cyber-attacks and/or malfunctioning technology. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays, increase in capital expenses, financial losses, the inability to process transactions, the unauthorized release of customer information and reputational risk. If there was a breach in security or if there was a failure of information systems or a component of information systems, it could, depending on the nature of any such breach or failure, adversely impact the Company's reputation, business continuity and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The risks of IT systems, cyber-attacks and security breaches are inherent in all online digital platforms, including the Website and Cloud AI Hosting services. The Company monitors for potential vulnerabilities and updates its security protocols as necessary to mitigate evolving threats.

*Market Price of Common Shares and Volatility*

The common shares do not currently trade on any exchange or stock market. Securities of microcap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the companies' financial performance or prospects. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. The price of the common shares is also likely to be significantly affected by changes to NextGen's financial condition and results of operations.

Other factors unrelated to NextGen's performance that may affect the price of the common shares include the following: lessening in trading volume and general market interest in the common shares may affect an investor's ability to trade significant numbers of common shares; and a substantial decline in the price of the common shares that persists for a significant period of time could cause the common shares, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the common shares at any given point in time may not accurately reflect the Company's long-term value. The fact that no market currently exists for the common shares may affect the pricing of the common shares in the secondary market, the transparency and availability of trading prices and the liquidity of the common shares. The effect of these and other factors on the market price of the common shares is expected to make the common share price volatile in the future, which may result in losses to investors, and/or may impede the ability of investors to resell their common shares.

*Insurance Risks*

Insurance coverage for NextGen, the Website, Cloud AI Hosting and/or any new technology platforms may not be available, may be uneconomical for the Company, or the nature or level of such insurance may be insufficient to provide adequate insurance cover. Further, the Company may not be able to insure against cyber-theft or hacking attacks. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the Company.

*Retention of Key Personnel*

The Company has a small management team and Board, and the loss of any key individual could affect the Company's business. Additionally, the Company may be required to secure other personnel to operate its proprietary businesses and/or any other micro-technology platforms it develops. Any inability to secure and/or retain appropriate personnel may have a materially adverse impact on the business and operations of the Company.

*Conflicts of Interest*

Directors and officers of the Company are and may become directors and/or officers of other technology companies or have significant shareholdings in other technology companies and, to the extent that such companies may compete with the Company for business opportunities and sales, the directors and officers of the Company may have conflicts of interest. The Company and its directors and officers will attempt to minimize such conflicts through proper corporate governance and internal disclosure requirements. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict will abstain from voting for or against the approval of such matter. Conflicts, if any, will be subject to the procedures and remedies as provided under the *Business Corporations Act* (British Columbia), as the case may be. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest.

*Regulatory Risks*

The Company will be subject to a variety of laws and regulations across all jurisdictions in which it operates, including but not limited to, intellectual property, advertising, marketing, distribution, data and information security, electronic communications, competition, consumer protection, privacy laws, unfair commercial practices, taxation, securities law compliance, online payment and payment processing services. These laws, regulations and legislation, which in

some cases can be enforced by private parties or government entities, are constantly evolving and can be subject to significant change. As a result, the application, interpretation, and enforcement of these laws and regulations could have an adverse impact on the Company and lead to increases in costs and expenditure as well as restrict its existing operations and ability to expand.
These laws and regulations, as well as any changes to the same and any related inquiries, investigations or any other government actions, may be costly to comply with and may delay or impede new product development, result in negative publicity, increase the Company's operating costs, require significant management time and attention, and subject it to remedies that may harm its business including fines or demands or orders that modify, or cease certain or all existing business practices, or implement costly and burdensome compliance measures. Any such consequences could adversely affect the Company's business, results of operations or financial condition.

*Litigation Risks*

The Company may, from time to time, become involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company cannot reasonably predict the likelihood or the outcome of these actions. Adverse outcomes in some, or all of these, claims may result in significant monetary damages or injunctive relief that could adversely affect the Company's ability to conduct its business. Even if the Company prevails in any such legal proceeding, the proceedings could be costly and time consuming and may divert the attention of management and key personnel from the Company's operations.

*Intellectual Property Protection and Infringement Risks*

Intellectual property infringement claims from third parties could lead to substantial costs and adversely impact the Company's business, financial position, results of operations, and reputation. The Company's ability to compete hinges on avoiding infringement or misappropriation of third-party intellectual property rights. Competitors may own patents, copyrights, trademarks, and trade secrets, potentially resulting in litigation. Although the Company has not received any infringement notices to date, increased visibility could heighten the risk of such claims. Public announcements related to any intellectual property disputes could negatively influence the price of the common shares. There may be third-party intellectual property rights, including trademarks of products distributed by the Company, that cover significant aspects of the Company's technologies, products, services, or business methods. Similarly, the incorporation of third-party products and services into the Company's offerings could expose it to an elevated risk of infringement claims. Intellectual property claims are unpredictable, time-consuming, and costly to settle, diverting resources and potentially leading to significant liability. Resolving such claims might involve redesigning products or services and developing alternative technology or branding. If unable to secure rights or develop non-infringing alternatives, the Company may have to limit or cease sales, impacting its competitive position, existing customers, and overall business.

The risks associated with intellectual property protection and infringement are relevant to the Website. As the Website grows and gain more visibility, the potential for intellectual property disputes may increase.

**Disclosure of Internal Controls over Financial Reporting**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by such financial statements; and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to non-venture issuers, this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). In particular, management is not making any representations relating to the establishment and maintenance of:

i) controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

**Cautionary Note Regarding Forward-Looking Statements**

This MD&A contains certain forward-looking statements, including those relating to the Company's future development plans for PCS and Cloud AI Hosting; corporate acquisition and business development strategy; adequacy of working capital; and the availability of future financing. Wherever possible, words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate" and similar expressions have been used to identify these forward-looking statements.

These forward-looking statements are based on numerous assumptions that are believed by management to be reasonable in the circumstances, with respect to, among other things, the Company's future plans, financial results and operational performance, anticipated expense levels, and technological developments, and are subject to a number of risks and uncertainties, including without limitation those listed in the "*Trends, Risks and Uncertainties*" section of this MD&A. Actual results may differ materially from results contemplated by the forward-looking statements herein. Investors and others should carefully consider the foregoing factors and should not place undue reliance on such forward-looking statements. The Company assumes no responsibility to update forward looking statements made herein, other than as may be required by applicable securities laws.