

ICESoft Technologies Canada Corp.
Condensed Consolidated Interim Financial Statements
(\$CAD) (Unaudited)
For the period ended March 31, 2023

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, continuous disclosure obligations, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established for a review of interim financial statements by an entity's auditor.

The accompanying unaudited condensed interim financial statements of the Corporation have been prepared by and are the responsibility of the ICESoft Management team.

ICESoft Technologies Canada Corp.
Condensed Consolidated Interim Statements of Financial Position
(\$CAD)
As at

	(Unaudited) March 31, 2023	(Audited) December 31, 2022
	<u>\$</u>	<u>\$</u>
ASSETS		
Current Assets		
Cash	202,526	320,349
Accounts receivable	201,098	110,029
Prepaid expenses and deposits	21,978	33,960
Total Current Assets	425,602	464,338
Property and equipment	12,756	13,564
TOTAL ASSETS	438,358	477,902
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 11)	806,748	1,043,309
Current portion of deferred revenue (note 4)	876,446	827,074
Current portion of convertible notes (note 6)	121,744	121,744
Total Current Liabilities	1,804,938	1,992,127
Deferred revenue (note 4)	169,563	3,785
Convertible notes (note 9)	776,928	593,181
Term loans (note 5)	30,000	30,000
Total Liabilities	2,781,429	2,619,093
Shareholders' Deficiency		
Share capital (note 7)	27,826,697	27,826,697
Equity portion of convertible notes (note 6)	79,743	57,363
Warrants (note 7 and 8)	373,830	373,830
Reserves (note 9)	4,649,025	4,649,025
Foreign currency translation reserve	(1,995,176)	(1,946,571)
Deficit	(33,277,190)	(33,101,535)
Total Shareholders' Deficiency	(2,343,071)	(2,141,191)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	438,358	477,902

Going concern (note 1)
Subsequent events (note 13)

Approved on behalf of the Board of Directors:

'Brian McKinney' _____, Director

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

ICESoft Technologies Canada Corp.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(\$CAD) (Unaudited)
For the periods ended March 31

	Three months ended March 31,	
	2023	2022
	\$	\$
Revenues (note 3)		
Subscription income	421,595	341,887
Other	999	2,195
Total Revenue	422,594	344,082
Cost of Revenue		
Information services & Commissions	158,611	115,616
Total Cost of Revenue	158,611	115,616
Total Gross Profit	263,983	228,466
Operating Expenses		
Research and development	249,054	291,771
General and administrative	88,089	88,658
Sales, marketing, and operations	99,623	115,246
Total Operating Expenses	436,766	495,675
Net Operating Loss	(172,783)	(267,209)
Other Income (Expense)		
Other Income	1,625	-
Finance expense (note 10)	(1,950)	(4,655)
Interest & Foreign exchange	(2,547)	(1,332)
Total Other Income (Expense)	(2,872)	(5,987)
Net Loss	(175,655)	(273,196)
Other Comprehensive Income (Loss)		
Items which may be subsequently reclassified to profit or loss		
Translation of foreign operations	-	1,689
Comprehensive loss	(175,655)	(271,507)
Loss per share - basic and diluted (note 7 (iii))	(0.00)	(0.00)

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

ICESoft Technologies Canada Corp.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency

(\$CAD) (Unaudited)

For the periods ended March 31

	Share Capital	Equity component of convertible notes	Warrants	Reserves	Deficit	Accumulated Other Comprehensive Loss	Total
	\$	\$	\$	\$	\$	\$	\$
Balance December 31, 2020	26,861,053	6,074	948,114	3,541,349	(30,813,880)	(1,824,642)	(1,281,932)
Net Loss and Comprehensive Loss	-	-	-	-	(240,526)	13,626	(226,900)
Balance March 31, 2021	26,861,053	6,074	948,114	3,541,349	(31,054,406)	(1,811,016)	(1,508,832)
Balance December 31, 2021	27,826,697	6,074	1,253,223	3,756,366	(31,903,245)	(1,852,695)	(913,580)
Expiration of warrants (note 8 and 9)	-	-	(829,765)	829,765	-	-	-
Net Loss and Comprehensive Loss	-	-	-	-	(273,196)	1,689	(271,506)
Balance March 31, 2022	27,826,697	6,074	423,459	4,586,131	(32,176,441)	(1,851,006)	(1,185,086)
Balance December 31, 2022	27,826,697	57,363	373,830	4,649,025	(33,101,535)	(1,946,571)	(2,141,191)
Convertible Notes Issued	-	16,307	-	-	-	-	16,307
Expiration of Warrants	-	-	(879,393)	879,393	-	-	-
Net Loss and Comprehensive Loss	-	-	-	-	(175,655)	-	(175,655)
Balance March 31, 2023	27,826,697	73,670	373,830	4,649,025	(33,277,190)	(1,946,571)	(2,300,539)

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

ICEsoft Technologies Canada Corp.
Condensed Consolidated Interim Statements of Cash Flows
(\$CAD) (Unaudited)
For the periods ended March 31

	Three months ended	
	March 31	
	2023	2022
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(175,655)	(273,196)
Add back (deduct) items not involving cash:		
Finance expense (note 10)	1,950	2,959
Amortization of property and equipment	808	509
	(172,897)	(269,728)
Changes in non-cash working capital items:		
Accounts receivable	(91,069)	(118,377)
Prepaid expenses and deposits	11,982	(21,692)
Accounts payable and accrued liabilities	(236,561)	(55,410)
Deferred revenue (note 4)	215,150	225,527
Net cash used in operating activities	(273,150)	(239,680)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Convertible Debt	155,572	-
Net cash generated by financing activities	155,572	-
Effect of change in foreign exchange rates on cash	-	2,661
Change in cash for the period	(117,823)	(237,019)
Cash, beginning of the period	320,349	712,506
Cash, end of the period	202,526	475,487

See notes 10 for the details of non-cash transactions.

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

NATURE OF OPERATIONS

ICESoft Technologies Canada Corp. (the "Corporation" or "ICESoft"), was incorporated on May 10, 2002 under the Canada Business Corporations Act. ICESoft and its subsidiaries develop and license a comprehensive suite of web technologies and Software as a Service (SaaS) solutions for both enterprise and government clients. The Corporation's primary products consist of its Clickware product, ICEfaces, and the SaaS-based Voyent Alert! Notification Service which is licensed to government and enterprise clients on a subscription basis.

ICESoft's head office is located at 340-600 Crowfoot Cres. N.W., Calgary, Alberta, Canada, T3G 0B4.

These condensed consolidated interim financial statements of the Corporation as at March 31, 2023 and December 31, 2022 and for the periods ended March 31, 2023 and 2022 ("Financial Statements") consist of the Corporation and its wholly-owned subsidiaries. ICESoft wholly owns ICESoft Technologies Holdings Ltd, which acts as the Corporation's main Canadian operating entity; and wholly owns ICESoft Technologies Inc., incorporated in the State of Delaware, which acts as the United States operating entity.

1. GOING CONCERN

These Financial Statements have been prepared on the basis that the Corporation will continue as a going concern, which assumes that the Corporation will be able to realize its assets and discharge its liabilities for the foreseeable future. Management is aware, in making its going concern assessment, of events and conditions that indicate the existence of a material uncertainty that may cast significant doubt upon the Corporation's ability to continue as a going concern.

As at March 31, 2023, the Corporation had negative net working capital of \$1,460,118 (December 31, 2022 - \$1,527,789) and an accumulated deficit of \$33,277,190 (December 31, 2022 - \$33,101,535). The Corporation incurred a net loss during the three months ended March 31, 2023 of \$175,655 (three months ended March 31, 2022 - \$273,196).

The Corporation has not yet been able to generate the transaction volumes required to create positive cash flows from operations. Whether and when the Corporation can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to March 31, 2023 is uncertain. Until this time, management may have to raise funds by way of debt or equity issuances. The Corporation will closely monitor its cash and will take the necessary measures to preserve cash, such as reducing spending as needed until the Corporation succeeds in gathering sufficient sales volumes to consistently achieve profitable operations and generate positive cash flows from operations.

These consolidated Financial Statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

2. BASIS OF PRESENTATION

- (a) Statement of compliance

These Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and interpretations of the IFRS Interpretations Committee (IFRIC's).

ICEsoft Technologies Canada Corp.
Notes to the Condensed Consolidated Interim Financial Statements
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For the period ended March 31, 2023

The Financial Statements were approved and authorized for issue by the Board of Directors on May 30, 2023.

(b) Basis of preparation

These Financial Statements have been prepared under the historical cost convention, except for certain financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value, and are expressed in Canadian dollars unless otherwise indicated. Other measurement bases used are detailed in the Corporation's annual consolidated financial statements ("Annual Financial Statements").

Certain comparative figures have been reclassified to conform to the current period's presentation.

The notes presented in these Financial Statements include only significant events and transactions occurring since the Corporation's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Corporation's annual consolidated financial statements. As a result, these Financial Statements should be read in conjunction with the Annual Financial Statements.

These Financial Statements follow the same accounting policies and methods of application as the most recent Annual Financial Statements.

3. REVENUE

The Corporation disaggregates revenue by two major service lines: (1) "Clickware" and (2) "Voyent Alert" revenue. Both categories include subscription revenue earned on software access licence agreements and support and maintenance revenue earned from providing customer-requested assistance and updates within the reporting period.

	Three months ended	
	March 31,	
	2023	2022
	\$	\$
Revenue by major category		
ICEfaces & Related Legacy		
Subscription income	263,708	235,690
Voyent Alert		
Subscription income	157,888	106,197
Customizations and upgrades	998	1,900
User fees		295
Total	422,594	344,082

4. DEFERRED REVENUE

Timing differences between invoicing, cash collection, and revenue recognition result in accounts receivable and also result in deferred revenue on the consolidated statements of financial position. Amounts are billed in accordance with the terms of each customer contract. For most contracts, the Corporation receives payments for contract subscriptions prior to satisfying contracted obligations and recognizing revenue, resulting in deferred revenue.

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All deferred revenue recorded in 2023 and 2022 relates to certain subscription agreements. Changes in deferred revenue during the periods consist of:

	March 31, 2023	December 31, 2022
	\$	\$
Deferred revenue		
Opening balance	830,849	674,702
Sales collected	636,746	1,602,038
Recognized in revenue		
From opening balances	(373,302)	(673,860)
From additions in the period	(48,294)	(800,572)
Foreign exchange effect		28,551
Total deferred revenue	1,046,009	830,859
Less: current portion	(876,446)	(827,074)
Long-term portion	169,563	3,785

As at March 31, 2023, revenues allocated to remaining performance obligations from subscription contracts, extending through to 2025, total \$1,046,009. Of this amount, approximately \$876,446 is expected to be recognized in the remainder of 2023, \$166,590 is expected to be recognized in 2024 and \$2,973 is expected to be recognized in 2025.

5. TERM LOANS

A summary of the term loans outstanding is as follows:

	March 31, 2023	December 31, 2022
	\$	\$
Canada Emergency Business Account (CEBA) loan	30,000	30,000
Total debt outstanding	30,000	30,000

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6. CONVERTIBLE NOTES

The balance of convertible notes as of March 31, 2023 and December 31, 2022 is reconciled as follows:

	March 31, 2023 \$	December 31, 2022 \$
Opening Balance	714,925	94,915
Modification of notes	-	(9,072)
Accretion	-	3,367
Interest accrued	26,829	38,829
Interest paid	-	(12,000)
Additions Net of Equity Conversion Feature	156,918	598,886
Total debt outstanding	898,672	714,925
Less: current portion	(121,744)	(121,744)
Long-term portion	776,928	593,181

- (i) During the year ended December 31, 2020, the Corporation extended the maturity date of the only outstanding convertible note with a face value of \$100,000 by one year to December 11, 2021. On November 15, 2021, the Corporation once again extended the maturity of the convertible note by one year. On December 12, 2022, the Corporation once again extended the maturity of the convertible note by one year. The extended convertible note now expires on December 12, 2023. The convertible note is secured by all assets, including the intellectual property, of the Corporation. As part of the issuance, the note holder was entitled to warrants which can be converted to common shares. There has been no change to the expiry date of the warrants, December 1, 2023, due to this extension. Interest rate was increased to 14.0% per annum.

The note is convertible to common shares at a conversion price of \$0.15 per share. During the year ended December 31, 2022, 300,000 warrants were granted to the lender as compensation for the loan extension. The warrants have an expiry date of December 12, 2025 and are exercisable at \$0.06 per common share.

- (ii) On September 21, 2022, the Corporation concluded a secured convertible note financing transaction raising gross cash proceeds of \$650,175 from various related parties. The issued secured convertible promissory notes bear simple interest at a rate of 15% per annum with for a term of 36 months from date of issuance. The notes bear a conversion feature allowing the note holder to convert all or part of the principal balance and accrued interest into common shares of the Corporation at a conversion price of \$0.05 per share. The convertible notes were fair valued using a discount rate of 18%. The resulting calculations allocated \$51,289 as the value of the equity conversion feature.
- (iii) On February 27, 2022, the Corporation concluded a secured convertible note financing transaction raising gross cash proceeds of \$100,000 and conversion of \$150,000 in prior debt from various related parties. The issued secured convertible promissory notes bear simple interest at a rate of 15% per annum with for a term of 36 months from date of issuance. The notes bear a conversion feature allowing the note holder to convert all or part of the principal balance and accrued interest into common shares of the Corporation at a conversion price of \$0.05 per share. The convertible notes were fair valued using a discount rate of 18%. The resulting calculations allocated \$16,307 as the value of the equity conversion feature.

7. SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Preferred Shares without nominal or par value and an unlimited number of Common Shares without nominal or par value. No Preferred Shares were issued in the current period or prior year.

The Corporation has the following Common Shares issued and outstanding:

	Number of Shares #	Share Capital \$
Balance, December 31, 2020	80,116,026	26,861,053
Issuance of shares with units for cash (i)	30,000,000	973,149
Issuance of shares with units on settlement of debt (ii)	2,000,000	64,877
Share issuance costs	-	(72,382)
Balance, December 31, 2021 and 2022	112,116,025	27,826,697
Balance, March 31, 2023	112,116,025	27,826,697

- (i) During the year ended December 31, 2021, the Corporation issued 30,000,000 units at a price of \$0.05 per unit for gross proceeds of \$1,500,000. Each unit consisted of one common share and one common share purchase warrant. The warrants have an exercise price of \$0.08 per share and expire three years from the date of issuance. The warrants were assigned a fair value of \$526,851, less issuance costs, based on the relative fair value of the shares and warrants.
- (ii) During the year ended December 31, 2021, the Corporation issued 2,000,000 units on the settlement of a term loan, note payable, and deferred wages owed to the President and CEO, at a price of \$0.05 per unit (note 8). Each unit consists of one common share and one common share purchase warrant. The warrants have an exercise price of \$0.08 per share and expire three years from the date of issuance. The warrants were assigned a fair value of \$35,124, less issuance costs, based on the relative fair value of the shares and warrants.
- (iii) The weighted average number of common shares outstanding used to calculate basic and diluted loss per share is 112,116,026 for the three months ended March 31, 2023 (three months ended March 31, 2022 – 112,116,026). The Corporation excluded all convertible notes, warrants, and stock options from the calculation of diluted loss per share for the three months ended March 31, 2023 and 2022, as they would be anti-dilutive.

8. WARRANTS

Warrants are used to recognize the fair value of financial instruments which are granted to agents of the Corporation typically as a form of compensation related to capital raising activities. When warrants are subsequently exercised, the fair value of such warrants is credited to the share capital account. When warrants expire, their value is credited to reserves.

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For the period ended March 31, 2023

A summary of warrant transactions is as follows:

	Number of Warrants	Weighted average exercise price	Expiry Date
Outstanding at December 31, 2020	34,140,400	0.16	
Issued in unit issuance	30,000,000	0.08	September 2024
Issued in unit issuance via settlement of debt	2,000,000	0.08	September 2024 June, August, September, November and December 2021
Expired	(472,666)	0.20	
Outstanding at December 31, 2021	65,667,734	0.11	
Issued	300,000	.06	Dec. 2025 March, April, September 2022
Expired	(29,939,818)	0.20	
Outstanding at December 31, 2022	36,027,917	0.09	
Issued	-	-	
Expired	-	-	
Outstanding at March 31, 2023	36,027,917	0.09	

No warrants were exercised during the three months ended March 31, 2023. The weighted average remaining life of all warrants outstanding at March 31, 2023 is 1.54 years (December 31, 2022 – 1.81 years).

The fair value of the warrants used in the input into the bifurcation of units and of other warrants issued was estimated on the date of the grant, as determined by using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Three months ended March 31, 2023	Year ended December 31, 2022
Exercise Price	\$0.08	\$0.08
Share Price	\$0.055	\$0.055
Dividend Yield	-	-
Forfeiture %	-	-
Risk-free interest rate	1.00%	1.00%
Expected life of warrants	3 years	3 years
Expected volatility	100.00%	100.00%

9. RESERVES

Reserves are used to recognize the fair value of stock options granted and the fair market value of expired warrants. When options are subsequently exercised, the fair value of such options in reserves are credited to share capital. Should the options expire unexercised, their fair market value remains in the reserves account.

The Corporation has a stock option plan ("the Plan"). Under the Plan, the Board of Directors of the Corporation may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation non-transferable options to purchase common shares. The maximum number of common shares reserved for issuance under the Plan shall not exceed 15% of the then issued and outstanding common shares of the Corporation. The options will be

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exercisable for a period of up to ten years. The Board of Directors will determine the price per common share and the number of common shares which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of TSX Venture Exchange.

A summary of the Plan transactions for the three months ended March 31, 2023 and for the year ended December 31, 2022 are as follows:

	March 31, 2023		December 31, 2022	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding at beginning of period	6,668,000	0.10	6,018,000	0.11
Options granted	-	-	750,000	0.05
Options expired	-	-	(100,000)	0.05
Outstanding at end of period	6,668,000	0.10	6,668,000	0.10
Exercisable at end of period	6,180,500	0.10	6,180,500	0.10

The weighted average remaining life of all options outstanding at March 31, 2023 is 1.87 years (December 31, 2022 – 2.12 years).

No options were exercised during the three months ended March 31, 2023.

10. FINANCE EXPENSE

	Three months ended March 31	
	2023	2022
	\$	\$
Interest on convertible notes	31,169	2,959
Interest on lease liability	-	-
Other finance expense	1,950	1,696
	33,119	4,655

Finance expense includes cash and non-cash interest of \$31,169 (2022 - \$2,951) on the convertible notes.

11. RELATED PARTY TRANSACTIONS AND PERSONNEL COSTS

The Corporation considers its key management personnel to be its Chief Executive Officer; Chief Financial Officer, directors, and close family members of the previously mentioned individuals. Key management compensation is comprised of wages and salaries, stock-based compensation and consulting fees paid to key management and companies controlled by key management. During the three months ended March 31, 2023, key management compensation amounted to \$59,052 (three months ended March 31, 2022 - \$66,786), split between general and administrative, marketing and operations, and research and development expenses based on work performed.

Key management personnel have accounts payable owing from the Corporation, including payroll and vacation accruals, in the amount of \$379,808 at March 31, 2023 (December 31, 2022 - \$565,530).

Total personnel expenses for employees, consultants, directors and management included in expenses in the consolidated statement of loss and comprehensive loss total \$342,482 for the three months ended March 31, 2023 (three months ended March 31, 2022 - \$371,966), split between general and administrative, marketing and operations, and research and development expenses, based on work performed.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Due to the short-term nature of cash, accounts receivable, deposits, and accounts payable and accrued liabilities, the Corporation determined that the carrying amounts of these financial instruments approximate their fair value. The carrying amounts of the term loans and convertible notes approximate their fair value due either to the interest rate approximating market rates or because of the short period to maturity.

13. SUBSEQUENT EVENTS

In May, 2023, the Corporation underwent a restructuring / reduction in force, resulting in an estimated reduction of \$500,000 / year in operating costs.