

# REX

**REX OPPORTUNITY CORP.**

MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE YEAR ENDED  
MARCH 31, 2023



**REX OPPORTUNITY CORP.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**FOR THE YEAR ENDED MARCH 31, 2023**

*The following management's discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto as at and for the year ended March 31, 2023 ("Financial Statements") of Rex Opportunity Corp. (the "Company" or "Rex"). All figures are in Canadian dollars (\$) or CAD unless otherwise stated. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).*

**DATE**

This management's discussion and analysis ("MD&A") is dated July 31, 2023 and is in respect of the year ended March 31, 2023.

**FORWARD-LOOKING STATEMENTS**

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's "forecast", "estimate", "expect" and similar expressions, as they relate to the Company's current views with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the Company's actual results, performance, or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

**OVERVIEW**

Rex is a corporation continued into the Province of Ontario from the Yukon Territory on September 29, 2011. Rex is a reporting issuer in the Provinces of Manitoba, Ontario, and Quebec.

The Company's only assets consist of cash in the amount of \$14,236 (March 31, 2022 - \$160,564), amounts receivable in the amount of \$5,650 (March 31, 2022 - \$36,123), prepaid expenses of \$nil (March 31, 2022 - \$720) and YouTube channel royalty \$15,000 (March 31, 2022 - \$nil).

Management has implemented a business strategy of creating and acquiring royalties on YouTube channels.

The Company identifies and reaches out to creators of video content posted on YouTube channels to acquire royalties on the channel revenues paid to the creators by YouTube and Google.

**CORPORATE**

On April 21, 2022, the Company closed a non-brokered private placement of 180,000 units at a price of \$0.25 per unit for aggregate gross proceeds of \$45,000. Each unit consists of one common share of REX and one common share purchase warrant with each whole warrant exercisable to purchase one (1) common share of REX at an exercise price of \$0.45 for a period of two years from the date REX's common shares are listed for trading on a recognized Canadian stock exchange, subject to accelerated expiry in the event the common shares trade at a 5-day VWAP at or above \$0.60. In connection with the private placement, the Company paid cash finder's fee of \$1,200 and issued 4,800 broker warrants. Each broker warrant will entitle the holder to acquire one common share of REX at a price of \$0.25 for a period of two years from the date REX's common shares are listed for trading on a recognized Canadian stock exchange.

On April 29, 2022, the Company closed a non-brokered private placement of 200,000 units at a price of \$0.25 per unit for aggregate gross proceeds of \$50,000. Each unit consists of one common share of REX and one common share purchase warrant with each whole warrant exercisable to purchase one common share of REX at an exercise price of \$0.45 for a period of two years from the date REX's common shares are listed for trading on a recognized Canadian stock exchange, subject to accelerated expiry in the event the common shares trade at a 5-day VWAP at or above \$0.60.

On May 20, 2022, the Company closed a non-brokered private placement of 1,000,000 Units at a price of \$0.15 per unit for aggregate gross proceeds of \$150,000. Each unit consists of one common share of REX and one common share purchase warrant with each whole warrant exercisable to purchase one common share of REX at an exercise price of \$0.20 for a period of three years. In connection with the private placement, the Company paid a cash finder's fee of \$7,500.

On July 11, 2022 the Company issued 450,000 units at \$0.10 per unit in respect of which subscription proceeds of \$45,000 had previously been received and which were still to be issued as at March 31, 2022 at the request of the subscriber. Each unit consisted of one common share and one warrant, each warrant exercisable at \$0.35 for 2 years from the date the Company's common shares are listed for trading on a recognized Canadian stock exchange.

On July 20, 2022, REX closed a non-brokered private placement financing of 64,686 units at \$0.15 per unit for gross proceeds of \$9,703. Each unit consisted of one common share and one warrant, each warrant exercisable at \$0.20 for 3 years.

On September 22, 2022, REX closed a non-brokered private placement financing of 264,250 units at 0.15 per unit by way of direction of payment of \$39,638 of accounts payable to subscribe for units. Each unit consisted of one common share and one warrant, each warrant exercisable at \$0.20 for 3 years.

REX completed an initial YouTube Channel Royalty acquisition on September 22, 2022 with a payment of \$148,185.

On October 12, 2022, 25,000 stock options were granted with each option exercisable for one common share at the average pre-listing financing issue prices for five year.

On October 24, 2022, REX completed a financing related three-corner amalgamation of 2855490 Ontario Inc. ("**OntInc**") and 2855509 Ontario Corp., a wholly owned subsidiary of REX.

On January 7, 2022, OntInc completed a non-brokered private placement of units at a price of \$0.25 per unit, resulting in net proceeds of \$577,500 net of retractions of \$100,000, each unit comprised of one common share of OntInc and one common share purchase warrant. Each warrant entitled the holder to acquire one common share of OntInc at an exercise price of \$0.45 for a period of two years from the date REX's common shares are listed for trading on a recognized Canadian stock exchange, subject to an accelerated expiry in the event the common shares trade at a 5-day VWAP at or above \$0.60. The terms of the subscription agreement under the offering provided that upon certain conditions being met OntInc would amalgamate with a wholly owned subsidiary of REX by way of a 3-cornered amalgamation and securityholders of OntInc would receive common shares in the capital of REX and REX warrants with identical characteristics as the warrants.

REX and the shareholders of OntInc agreed to waive the conditions and issue 1.666667 common shares in the capital of REX and 1.666667 common share purchase warrants of REX for each outstanding OntInc common share and warrant with the same characteristics, resulting in the issuance of 3,850,001 shares and warrants of REX.

In connection with the completion of the amalgamation REX also issued 60,000 broker warrants. Each broker warrant entitles the holder to acquire one (1) common share of REX at a price of \$0.25 for a period of two (2) years from the date REX's common shares are listed for trading on a recognized Canadian stock exchange.

During the year ended March 31, 2022, upon the direction and consent of certain shareholders of OntInc, OntInc. advanced a loan payable of \$175,000 (2021 - \$nil) to REX. During the nine months ended December 31, 2022, OntInc advanced another \$402,500 to REX. The aggregate loan payable of \$577,500 was eliminated on consolidation with OntInc after the Amalgamation transaction on October 24, 2022.

On March 21, 2023, the Company announced the completion of a rationalization of its business and corporate structure, including REX CEO, director and principal shareholder Jim Boyle ("CEO") donating for cancellation for \$nil consideration of 4,255,000 shares and 4,255,000 share purchase warrants (collectively, the "Donated Securities"), previously acquired on March 3, 2022, reversal of payment to CEO of deferred compensation comprising the consideration paid for the Donated Securities, waiver of all deferred compensation accruing to CEO, amendment of CEO compensation agreement to reduce annual cash compensation to \$1 per year (CEO will continue to be entitled to two annual bonuses, calculated separately, based on increase in share price and increase in revenue and to a bonus on sale of REX or its business). The Company re-assigned to CEO who granted back to REX perpetual royalty free licenses to use and exploit for REX's YouTube channel royalty business the innovative intellectual property invented by CEO covering both the digital permissions escrow process securing royalty payment and performance and the shared royalty method for online digital asset platform underlying the YouTube channel royalty, both subject of US provisional patent applications.

REX filed articles of amendment to create a new class of shares, issuable in series, as approved by shareholders on December 14, 2022. A shareholder holding 11,733,602 shares exercised dissent rights (the "Dissent"). REX and the shareholder agreed to \$0.0353685 per share as the fair value of the shares, evidenced by non-interest bearing demand promissory note in the principal amount of \$415,000, and cancelled 11,733,602 shares.

REX closed private placement financings for a total of 200,000 units at \$0.15 per unit for gross proceeds of \$30,000 on April 24, 2023. Each unit consists of one common share and one warrant exercisable at \$0.20 for 3 years. REX paid a commission of \$2,400.

REX closed private placement financings for a total of 466,667 units at \$0.15 per unit for gross proceeds of \$70,000 between July 5, 2023 and July 14, 2023. Each unit consists of one common share and one warrant exercisable at \$0.20 for 3 years.

REX closed private placement financings for a total of 50,000 units at \$0.15 per unit for gross proceeds of \$7,500 on July 28, 2023. Each unit consists of one common share and one warrant exercisable at \$0.20 for 3 years.

#### **GOING CONCERN**

As at March 31, 2023, the Company had working capital deficiency of \$875,202 (March 31, 2022 - \$324,755) and an accumulated deficit of \$5,745,729 (March 31, 2022 – accumulated deficit of \$4,896,295). The Company's ability to continue operations is dependent on management's ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurances that it will be able to do so in the future

The accompanying financial statements have been prepared based on accounting principles applicable to a going concern, which assumes the realization of assets and discharge of liabilities in the normal course of business. Success of the business of the Company cannot be determined. Furthermore, the Company has limited working capital to develop its business.

The accompanying financial statements do not include any adjustments to the recoverability and classification of certain liabilities that might be necessary if the Company were unable to continue as a going concern. Such adjustments could be material.

**SELECTED FINANCIAL INFORMATION (IN \$, OTHER THAN NUMBER OF SHARES)**

	2023	2022	2021
Cash	14,236	160,564	6,781
Net working capital deficiency	875,202	324,755	1,015,072
Total assets	34,886	197,407	63,266
Total issued and outstanding shares	55,088,338	65,068,003	59,233,003
Continued Operations			
Total revenue	5,488	-	-
Net loss	(1,278,242)	(2,187,983)	(2,809,679)
Basic and diluted income (loss) per share	(0.02)	(0.04)	(0.05)
Operating cash flow	(642,312)	(384,142)	(967,272)

**QUARTERLY SELECTED FINANCIAL INFORMATION (IN \$)**

	Q4 Mar. 31, 2023	Q4 Dec. 31, 2022	Q2 Sept.30, 2022	Q1 June 30, 2022
Net income (loss)	349,378 <sup>(1)</sup>	(594,988)	(533,204)	(499,428)
Basic and diluted loss per share	0.01	(0.01)	(0.01)	(0.01)

  

	Q4 Mar. 31, 2022	Q3 Dec. 31, 2021	Q2 Sept. 30, 2021	Q1 June 30, 2021
Net loss	(614,035)	(508,018)	(516,146)	(549,784)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)

- (1) The net income for the three months ended March 31, 2023 was due to the reversal of accrued deferred salaries of officers and employees recorded in prior quarters. Removing the reversal of \$588,720 would result in a net loss of \$239,342 during the three months ended March 31, 2023.

**RESULTS OF OPERATIONS**

During the year ended March 31, 2023, only \$5,488 initial royalty revenue was earned as the Company was still implementing its business strategy.

**Administration and Other Costs**

General and administrative expenses were \$914,232, during the year ended March 31, 2023 (2022 - \$1,820,172). The changes are primarily due to changes in salaries and wages, consulting, management, and legal fees. Share-based payment expenses were \$86,700 during the year ended March 31, 2023 (2022 - \$156,200). Accretion expenses were \$195,526 during the year ended March 31, 2023 (2022 - \$211,611). The amortization of YouTube channel royalty was \$15,876 during the year ended March 31, 2023 (2022 - \$nil). The gain on settlement of debt was \$50,000 during the year ended March 31, 2023 (2022 - \$nil). The impairment loss of YouTube channel royalty was \$121,396 during the year ended March 31, 2023 (2022 - \$nil).

The Company recorded royalty income of \$5,488 during the year ended March 31, 2023.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's working capital has been provided by non-brokered private placements.

The Company must obtain alternative sources of funding to finance its ongoing general and administrative expenses, comply with its continuous disclosure obligations, and to implement the new business strategy.

There is no assurance that funds can or will be obtained. Failure to obtain financing could result in the Company defaulting upon its corporate and continuous disclosure obligations.

During the year ended March 31, 2023, the Company closed six non-brokered private placements of 2,158,936 units for aggregate gross proceeds of \$339,341.

### **Working Capital**

The change in working capital of the Company will depend on the amount of general and administrative expenses of the operations during the period.

The working capital deficiency increased to \$875,202 at March 31, 2023 from a deficiency of \$324,755 at March 31, 2022. The increase is primarily due to expenditures made during the year ended March 31, 2023 to implement the business strategy.

### **Financing**

The Company has no off-balance sheet financing arrangements or significant capital or operating lease arrangements, purchase obligations or other contractual commitments that could materially reduce its level of liquidity.

## **RELATED PARTY TRANSACTIONS**

For the year ended March 31, 2023, the Company incurred legal fees of \$17,852 included in general and administrative expenses (2022- \$52,539) and share issue costs of \$7,500 (2022 - \$15,875) payable to Boyle & Co. LLP ("B & Co."), a law firm which is one of the major shareholders with 33% (2022 -33%) holdings of REX, of which an officer and director and former director of the Company are partners. As at March 31, 2023 \$121,297 (March 31, 2022 - \$103,445) was owed to this law firm, which was discounted to \$97,037 (March 31, 2022 - \$82,756) and was included in non-current due to related parties on the consolidated statements of financial position. The deferred amount will become payable 12 months after written request for payment.

REX entered into an outsourcing agreement with a company controlled by an officer and director effective from March 1, 2020. As per the terms of the contract, the related company will provide:

- Office facilities, personnel, staff and business supplies and services to REX
- REX shall pay the company for provision of office facilities, personnel, staff and business supplies and services at market rates on cost recovery plus 15% overhead fee basis.

Expenses of \$404,825 which include management fees, salaries (paid on behalf of REX), consulting fees, office and other expenses was recorded during the year ended March 31, 2023 (2022 - \$459,098), with respect to this outsourcing agreement with Miller's Thumb Inc. ("Miller's Thumb"), a company owned by the partners of B & Co. At the end of March 31, 2023, the amounts payable outstanding with respect to this outsourcing agreement was \$60,107 (March 31, 2022 - \$225,843), which was discounted to \$40,086 (March 31, 2022 - \$180,647) and was included in non-current due to related parties on the consolidated statements of financial position. The deferred amount will become payable 12 months after written request for payment.

For the year ended March 31, 2023, a corporation wholly owned by the CEO, provided the services of the CEO to REX for which the corporation accrued \$50,000 (2022- \$50,000) per month until March 21, 2023. Payment was deferred until 12 months after written request for payment upon which the deferred amount will be payable. Expenses of \$450,000 were recorded for the year ended March 31, 2023 (2022 - \$600,000). During the year ended March 31, 2023, the Company signed an amended and restated agreement with the corporation wholly owned by the CEO whereby the corporation waived all the accrued and deferred

compensation owed to the CEO, effective from April 1, 2020, the Company agreed to pay the corporation an annual fee of \$1 for the services provided by the CEO. As a result, the \$500,000 deferred compensation was reversed, resulting a gain on settlement of debt of \$50,000. During the year ended March 31, 2022, \$1,063,750 accrued deferred compensation owed to a corporation wholly owned by the CEO of the Company was directed to subscribe for 4,255,000 units in the private placement on March 3, 2022. On March 21, 2023 the payment of \$1,063,750 accrued compensation was retroactively waived, the subscription rescinded ab initio, and the 4,255,000 shares and 4,255,000 warrants donated to the Company for cancellation for \$nil consideration. During the year ended March 31, 2023, (\$7,223) accretion expense (2022 - \$107,223) was recorded for the CEO's accrued compensation in the consolidated statements of loss and comprehensive loss. A liability of \$3 as at March 31, 2023 (March 31, 2022 - \$50,000) has been recorded for the CEO's accrued compensation and was included in non-current accrued compensation on the consolidated statements of financial position.

For the years ended March 31, 2023 and 2022, the former CIO earned \$14,585 per month. Payment is 75% deferred for the portion relating to July 2020 to March 2021, 65% for the portion thereafter to March 31, 2022 and 35% deferred to February 27, 2023 and 100% for the period February 27, 2023 to March 31, 2023. The CIO resigned effective March 31, 2023. The deferred amount will become payable 12 months after written request for payment. Expenses of \$175,000 have been recorded for the year ended March 31, 2023 (2022 - \$175,000). During the year ended March 31, 2023, \$46,660, accretion expense (2022 - \$23,017) was recorded for the former CIO's accrued compensation in the consolidated statements of loss and comprehensive loss. An accrued compensation liability of \$271,639 (March 31, 2022 - \$210,389) has been recorded as at March 31, 2023 which was discounted to \$217,311 (March 31, 2022 - \$168,311) and was included in non-current accrued compensation on the consolidated statements of financial position.

During the year ended March 31, 2023, the Company recorded director fees of \$162,500 (2022 - \$150,000). As at March 31, 2023, accrued director fees of \$309,375 (March 31, 2022 - \$187,500) have been recorded which were discounted to \$247,500 (March 31, 2022 - \$150,000) and were included in non-current due to related parties on the consolidated statements of financial position and \$78,125 (2022 - \$37,500) of accrued director fees was not discounted and was included in the current due to related parties on the consolidated statements of financial position. During the year ended March 31, 2023, \$48,071 accretion expense (2022 - \$14,006) was recorded for the deferred director fees in the consolidated statements of loss and comprehensive loss.

During the year ended March 31, 2023, the Company incurred fees of \$32,291 (2022 - \$30,340) related to services of Carmelo Marrelli to act as the Chief Financial Officer ("CFO") of the Company. Carmelo Marrelli is the Managing Director of Marrelli Support Services Inc. ("MSSI"). Services were incurred for bookkeeping, accounting and CFO services. As at March 31, 2023, MSSI was owed \$42,357 (March 31, 2022 - \$15,239) and this amount was included in accounts payable and accrued liabilities. This amount is unsecured and non-interest bearing.

Pursuant to a consulting agreement between the Company, MSSI and Carmelo Marrelli, Carmelo Marrelli was appointed as CFO on May 5, 2021 with effect as of May 28, 2021 (the "Effective Date"), Carmelo Marrelli as Chief Financial Officer (a) was paid \$500 per month; (b) was reimbursed disbursements incurred in connection with the CFO duties; (c) granted stock options; and (d) could be terminated upon 30 days' notice, upon payment (i) if within two calendar years of the Effective Date, (A) 30% of annual remuneration, (B) an amount calculated as the balance monthly fees payable for the initial 24 months; and (ii) if after two years of the Effective Date, 20% of annual remuneration.

Carmelo Marrelli resigned as CFO May 17, 2023. By Mutual Release and Settlement made effective May 19, 2023 the Company, MSSI and Carmelo Marrelli terminated the consulting agreement and waived the termination payments.

As at March 31, 2023, the directors, certain former directors, and officers of the Company collectively controlled 29,478,515 shares or approximately 53.51% (March 31, 2022 - 44,237,950 common shares or approximately 67.99%) of the total common shares outstanding. To the knowledge of directors and officers of the Company, the remainder of the Company's outstanding common shares are widely held. These holdings can change at any time at the discretion of the owner.

During the year ended March 31, 2023, the Company recorded \$83,800 (2022 - \$41,300) stock-based compensation for management of the Company.

Effective June 30, 2021, a corporation owned by the CEO, a former CIO and former two vice presidents of the Company agreed to defer their accrued compensation to 12 months and one day after written demand for payment is made. No interest is payable on these deferred amounts. IFRS requires that if an interest rate is below a market rate of interest for a similar loan, estimated at 25%, there is deemed to be a benefit which is recorded in equity. The amount of the benefit is recognized over the estimated term of the accrued compensation as an accretion expense. During the year ended March 31, 2023, the Company signed an amended and restated agreement with the corporation owned by the CEO and all of the deferred compensation owed to the corporation owned by the CEO was waived. As at March 31, 2023, the Company has discounted total accrued compensation of \$627,198 to its current value of \$501,758 using an effective interest rate of 25%. The difference between current value and undiscounted amount was recorded in contributed surplus. During the year ended March 31, 2022, \$1,063,750 accrued deferred compensation owed to the corporation owned by the CEO of the Company was directed to subscribe for the issuance of 4,255,000 units in the private placement on March 3, 2022. The shares and warrants comprising the units were subsequently donated for cancellation for \$nil consideration, the subscription reversed ab initio and the accrued compensation waived. The accretion on the non-current accrued compensation will be accounted for as a shareholder contribution until such time that the repayment is requested by the creditor. During year ended March 31, 2023, the Company recorded \$10,116 (2022 - \$164,083) accretion expense relating to the deferred compensation in the consolidated statements of loss and comprehensive loss.

Effective September 30, 2021, certain directors of the Company and two vendors of the Company, Boyle & Co. LLP and Miller's Thumb, agreed to defer their accrued director fees and accounts payable to 12 months and one day after written demand for payment is made and one director agreed to defer payment of his accrued director fees to April 1, 2024. No interest is payable on these deferred amounts. IFRS requires that if an interest rate is below a market rate of interest for a similar loan, estimated at 25%, there is deemed to be a benefit which is recorded in equity. The amount of the benefit is recognized over the estimated term of the accrued liabilities as an accretion expense. As at March 31, 2023, the Company has discounted total accrued liabilities of \$459,036 to its current value of \$367,229 using an effective interest rate of 25%. The difference between current value and the undiscounted amount was recorded in contributed surplus. The accretion on the non-current liabilities will be accounted for as a shareholder contribution until such time that the repayment is requested by the lender. During the year ended March 31, 2023, the Company recorded \$88,283 (2022 - \$47,528) of accretion expense relating to the deferred compensation in the consolidated statements of loss and comprehensive loss.

#### **ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

Quarterly selected financial information for three months ended March 31, 2023 and March 31, 2022 are presented below. Expenditures for three months ended March 31, 2023 were a result of the continued efforts to develop and implement the Company's business strategy to investing in content creators and influencers.

	<b>Three Months Ended March 31, 2023</b>	<b>Three Months Ended March 31, 2022</b>
Salaries and wages	\$ (480,791) <sup>(1)</sup>	\$ 280,231
Consulting fees	16,972	47,723
Management fees	8,875	13,950
Legal, audit and accounting fees	15,296	35,556
Information technology costs	852	1,158



Rent	13,830	13,830
Share-based payments	(42,300)	92,400
Director fees	50,000	37,500
Other	(20,905)	13,358
Total	\$ (438,171)	\$ 535,706

- (1) The negative salaries and wages for the three months ended March 31, 2023 was due to the reversal of accrued deferred salaries of officers and employees recorded in prior quarters. Removing the reversal of \$588,720 would result in positive salaries and wages of \$107,929 during the three months ended March 31, 2023.

The following table sets forth the material components of the Company's general and administrative costs for the year ended March 31, 2023 and 2022.

	Year Ended March 31, 2023	Year Ended March 31, 2022
Salaries and wages	\$ 322,793	\$ 1,165,689
Consulting fees	148,353	228,386
Management fees	49,590	59,600
Legal, audit and accounting fees	139,500	110,704
Information technology costs	4,701	6,612
Rent	55,319	55,319
Share-based payments	86,700	156,200
Director fees	162,500	150,000
Other	31,476	43,862
Total	\$ 1,000,932	\$ 1,976,372

#### DISCLOSURE OF OUTSTANDING SHARE DATA

As at the date of this MD&A, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	Authorized	Outstanding July 31, 2023	Outstanding March 31, 2023
Voting or equity securities issued and outstanding	Unlimited Common Shares	55,805,005 Common Shares	55,088,338 Common Shares

## **COMMITMENTS AND CONTINGENCIES**

### **Executive Employment and Consulting Agreements**

The Company has entered into an employment agreement with the CEO for a one year term which automatically renews. The agreement can be terminated at any time on 90 days' notice and payment of severance, calculated based on two times the notional annualized base fee of \$180,000 times the number of years or partial years from April 1, 2020 or \$1,080,000 as at March 31, 2023.

The CEO is entitled to receive two annual bonuses based on notional annualized base of \$180,000, separately calculated as:

- notional annualized base times 3.33 times the increase in the REX share price; and
- notional annualized base times 3.33 times the increase in REX revenue.

In addition, the CEO is entitled to a bonus upon the sale or merger of the Company equal to an aggregate of 5% of the aggregate consideration paid to REX or REX's shareholders. As the triggering event has not taken place, the contingent payment has not been reflected in these financial statements.

### **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Financial Statements in accordance with IFRS requires the Company to make judgments in applying its accounting policies, estimates and assumptions about the future. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities, revenues and other items in net operating earnings or loss and the related disclosure of contingent assets and liabilities included in the Financial Statements. The Company evaluates its estimates on an ongoing basis. The estimates are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances. These estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of revenues and other items. Actual results may differ from these estimates under different assumptions or conditions. A summary of the more significant judgments and estimates made by management in the preparation of its financial information is provided in Note 3 of the annual financial statements for the fiscal year ended March 31, 2022.

### **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies in Note 3 of the annual financial statements for the fiscal year ended March 31, 2023, have been applied consistently to all periods presented in these consolidated financial statements for the year ended March 31, 2023.

### **FINANCIAL INSTRUMENTS**

IFRS requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying values of the Company's short-term financial instruments, comprising cash, amounts receivable, amounts payable and other liabilities, advances from related parties and promissory note, approximate their fair values.

Cash and amounts receivable are measured at amortized cost. Amounts payable and accrued liabilities, advances from related parties and promissory note are measured at amortized cost.

The Company estimates that the fair values of its financial instruments approximate their carrying values at March 31, 2023 because of the limited term of these instruments.

### **RISK AND UNCERTAINTIES**

#### **Foreign Exchange Risk**

The Company currently operates in Canadian dollars, and as such, may be negatively impacted by fluctuations in foreign exchange rates. The Company manages this risk by minimizing the number of

transactions that result in the settlement currency differing from the currency of the initial transaction. At March 31, 2023, the Company held US\$36,020 (March 31, 2022 - US\$85,152) in trade accounts payable and accrued liabilities and accrued compensation denominated in US dollars. A 1% change in foreign exchange rates would not have a significant impact on the Company's net loss.

### **Credit Risk**

The Company has no significant concentration of credit risk arising from operations.

### **Interest Rate Risk**

The Company currently has no outstanding variable interest-bearing loans and, therefore the Company is not exposed to interest rate risk through fluctuations in the prime interest rate.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

At March 31, 2023, the Company had a cash balance of \$14,236 to settle current liabilities of \$895,088. All of the Company's financial liabilities other than non-current accrued compensation and due to related parties have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company intends to finance future requirements from share issuances, the exercise of options and/or warrants, debt or other sources. There can be no certainty of the Company's ability to raise additional financing through these means.

The following table shows the maturity date of the Company's financial liabilities as at March 31, 2023:

		<b>Less than 1 year</b>			<b>1 to 2 years</b>	<b>Maturity</b>
	<b>Total</b>					
Trade accounts payable and accrued liabilities	\$188,854	\$188,854		\$Nil		N/A
Due to related parties	611,264	120,485	490,779			(ii)
Accrued compensation (i)	797,947	170,749	627,198			(ii)
Promissory note	415,000	415,000		-		

(i) Presented on a non-discounted basis.

(ii) The non-current portion is due 12 months and one day after receipt of written demand for payment.

### **Business Risk**

The Company was a long-time inactive issuer implementing with limited resources an internally generating business strategy. The outcome of the business strategy is uncertain and subject to, among other things, the adequacy of proceeds of any financing, the ability of the Company to obtain financing, the regulatory environment, the economy and capital markets generally and in particular, present and future business strategies, the ability of management to develop and implement the business strategy, the importance of key directors, employees, advisors and consultants, and potential for competition.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure 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 the financial statements, and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing the certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed 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 the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).