Condensed Interim Consolidated Financial Statements of

NEWTOPIA INC.

For the Three and Nine Months Ended

September 30, 2023 and 2022

(Unaudited)

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3(a)), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

November 15, 2023

NEWTOPIA INC.
Condensed Interim Consolidated Financial Statements (Unaudited)
Three and Nine Months Ended September 30, 2023 and 2022

Table of Contents

NEWTOPIA INC.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)
As at September 30, 2023 and December 31, 2022
(Expressed in Canadian Dollars)

	Note	**September 30, 2023**	December 31, 2022
		$	$
Assets			
Current assets			
Cash		**575,634**	345,950
Trade and other receivables	3	**1,774,627**	1,557,640
Contract asset	10	**15,330**	190,000
Prepaid expenses and deposits		**239,555**	205,843
Inventories		**117,420**	325,571
Deferred costs	6	**86,029**	76,269
		2,808,595	2,701,273
Property and equipment		**5,635**	8,052
Intangible asset	5	**2,615,826**	3,235,363
		5,430,056	5,944,688
Liabilities			
Current liabilities			
Trade and other payables		**1,889,258**	2,584,039
Credit facility	6	**4,362,850**	4,823,545
Lease obligations	4	**106,486**	544,700
Deferred revenue		**48,185**	48,185
Debentures	7	**2,550,619**	2,409,103
		8,957,398	10,409,572
Debentures	7	**2,762,368**	1,068,772
		11,719,766	11,478,344
Equity/Deficit			
Common shares	8(a)	**49,385,725**	47,978,992
Contributed surplus	9	**14,073,223**	12,861,449
Deficit		**(69,748,658)**	(66,374,097)
		(6,289,710)	(5,533,656)
		5,430,056	5,944,688

Nature of business and going concern	1
Events after the period end	14

Signed on behalf of the Board:

"Jeffrey Ruby" — *Director*

"Karen Basian" — *Director*

The accompanying notes form an integral part of and should be read in conjunction with these unaudited condensed interim consolidated financial statements.

NEWTOPIA INC.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (Unaudited)
Three and Nine Months Ended September 30, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	**Three Months Ended September 30, 2023**	Three Months Ended September 30, 2022	**Nine Months Ended September 30, 2023**	Nine Months Ended September 30, 2022
		$	$	**$**	$
Revenue	10	**2,434,606**	2,653,411	**7,440,297**	8,052,111
Cost of revenue	5	**1,040,988**	1,201,016	**3,501,663**	4,060,793
Gross profit		**1,393,618**	1,452,395	**3,938,634**	3,991,318
Operating expenses					
Technology and development		**446,504**	1,259,596	**1,891,276**	2,909,996
Sales and marketing		**317,544**	645,452	**1,094,976**	2,158,597
General and administrative		**814,967**	1,370,557	**2,714,405**	3,869,565
Share-based compensation	11,12	**158,584**	140,314	**466,887**	404,112
Depreciation of property and equipment		**1,386**	11,891	**4,965**	39,674
Depreciation of right-of-use asset	4	**-**	46,192	**-**	138,579
		1,738,985	3,474,002	**6,172,509**	9,520,523
Other expenses (income)					
Interest and accretion expense	7	**246,556**	79,163	**593,979**	276,884
Interest on lease obligations	4	**5,221**	17,485	**26,784**	60,747
Finance charges		**145,024**	70,269	**376,990**	147,816
Amortization of deferred finance charges	6	**39,710**	68,140	**107,500**	191,910
Foreign exchange (gain)/loss		**(17,302)**	(5,534)	**36,791**	(28,998)
Capitalized borrowing costs	5	**-**	-	**-**	(67,000)
Debt modification	7(a)(ii)	**8,956**	-	**8,956**	-
Loss on settlement of related party payable	12	**(3,111)**	-	**(10,314)**	-
		425,054	229,523	**1,140,686**	581,359
Net loss and comprehensive loss		**(770,421)**	(2,251,130)	**(3,374,561)**	(6,110,564)
Loss per share					
Basic and diluted		**(0.01)**	(0.02)	**(0.02)**	(0.06)
Weighted average number of common shares outstanding					
Basic and diluted		**153,829,313**	117,992,786	**145,353,983**	110,405,508

The accompanying notes form an integral part of and should be read in conjunction with these unaudited condensed interim consolidated financial statements.

NEWTOPIA INC.
Condensed Interim Consolidated Statements of Changes in Equity (Deficit) (Unaudited)
Nine Months Ended September 30, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	Common Shares	Contributed Surplus	Deficit	Total
		$	**$**	**$**	**$**
Balance, December 31, 2022		**47,978,992**	**12,861,449**	**(66,374,097)**	**(5,533,656)**
Net loss and comprehensive loss		-	-	(3,374,561)	(3,374,561)
Share-based compensation		-	466,887	-	466,887
Settlement of related party payable	12	-	182,451	-	182,451
March 2023 private placement offering, net of issuance costs	8(a)(i)	930,218	537,077	-	1,467,295
March 2023 private placement offering, compensation options	8(a)(i)	(26,443)	26,443	-	-
Exercise of warrants	8(b)	318,065	(59,766)	-	258,299
Bonus Amendment Shares	7(a)(ii)	78,262	-	-	78,262
Bonus Replacement Shares	7(a)(iii)	15,300	14,651	-	29,951
Bonus shares issued on July 2023 Debenture Offering	8(a)(i))	91,331	44,031	-	135,362
Balance, September 30, 2023		**49,385,725**	**14,073,223**	**(69,748,658)**	**(6,289,710)**
Balance, December 31, 2021		**45,177,120**	**11,652,200**	**(58,673,634)**	**(1,844,314)**
Net loss and comprehensive loss		-	-	(6,110,564)	(6,110,564)
Share-based compensation		-	404,112	-	404,112
Private Placement Offering of Units, net of issuance costs	8(a)(ii)	2,624,495	511,839	-	3,136,334
Compensation options issued to brokers	8(a)(ii)	(83,230)	83,230	-	-
Adjustment of issuance costs on Debentures	7(a)(i)	-	4,733	-	4,733
Settlement of related party payable	12	-	87,121	-	87,121
Balance, September 30, 2022		**47,718,385**	**12,743,235**	**(64,784,198)**	**(4,322,578)**

The accompanying notes form an integral part of and should be read in conjunction with these unaudited condensed interim consolidated financial statements.

NEWTOPIA INC.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
Nine Months Ended September 30, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	**Nine Months Ended September 30, 2023**	2022
		$	$
Cash flows used in operating activities:			
Net loss and comprehensive loss		**(3,374,561)**	(6,110,564)
Items not involving cash:			
Depreciation of property and equipment		**4,965**	39,674
Depreciation of right-of-use asset		**-**	138,579
Amortization of intangible asset		**619,537**	-
Amortization of deferred finance charges		**107,500**	191,910
Capitalized borrowing costs		**-**	(67,000)
Share-based compensation		**466,887**	404,112
Accretion expense		**353,530**	124,184
Interest on lease obligations		**26,784**	60,747
Debt modification		**8,956**	-
Loss on settlement of related party payable		**(10,314)**	-
		(1,796,716)	(5,218,358)
Net change in non-cash working capital			
Trade and other receivables		**(216,987)**	(231,205)
Inventories		**208,151**	(260,852)
Prepaid expenses and deposits		**(33,712)**	55,880
Trade and other payables		**(502,016)**	1,043,867
Deferred revenue		**-**	(10,248)
Contract asset/liability		**174,670**	(135,034)
		(2,166,610)	(4,755,950)
Cash flows used in investing activities			
Purchase of property and equipment		**(2,548)**	(3,829)
Intangible asset development costs		**-**	(985,349)
		(2,548)	(989,178)
Cash flows from (used in) financing activities:			
Credit facility withdrawals	6	**4,706,984**	8,028,277
Credit facility repayments	6	**(5,167,679)**	(5,478,831)
Credit facility financing costs	6	**(117,260)**	(81,831)
Repayment of lease obligations		**(464,998)**	(281,913)
Proceeds from private placement issuance of Units, net of issuance costs	8(a)	**1,467,295**	3,136,334
Proceeds from issuance of debenture units, net of transaction costs	7	**1,746,201**	-
Repayment of Debentures	7	**(30,000)**	-
Proceeds from exercise of warrants	8(b)	**258,299**	-
		2,398,842	5,322,036
Increase/(Decrease) in cash		**229,684**	(423,092)
Cash, beginning of period		**345,950**	811,584
Cash, end of period		**575,634**	388,492
Supplemental disclosure of cash flow information			
Interest paid		**649,336**	290,545
Non-cash settlement of related party payable		**182,451**	87,121
Adjustment of issuance costs on 8% Debentures		**-**	59,000

The accompanying notes form an integral part of and should be read in conjunction with these unaudited condensed interim consolidated financial statements.

(Expressed in Canadian Dollars)

1. Nature of business and going concern

Newtopia Inc. (“Newtopia” or the "Company") is a technology enabled habit change company that delivers disease prevention solutions by leveraging genetic testing, social and behavioral science to help individuals prevent chronic disease and reduce costs for health insurers. Newtopia was incorporated on May 9, 2008, pursuant to the provisions under the Business Corporations Act of Ontario, Canada. The Company’s corporate headquarters and registered head office are located at 33 Bloor Street East, 5th Floor, Toronto, Ontario, M4W 3H1. The Company trades on the TSX Venture Exchange (the "TSX-V") under the symbol "NEWU".

The Company’s unaudited condensed interim financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities in the normal course of operations. The Company incurred a comprehensive loss of $3,374,561 for the nine months ended September 30, 2023 and as of that date has an accumulated deficit of $69,748,658. On March 7, 2023, the Company closed a private placement offering of units for gross proceeds of $1,534,960 (See Note 8(a)(i)) and on July 14, 2023, closed a private placement offering of debenture units for gross proceeds of $1,500,000 (See Note 7(b)). The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional financing and/or achieve profitable operations in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the company's ability to continue as a going concern.

The unaudited condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate.

2. Basis of presentation

Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”), using International Accounting Standard (“IAS 34”), Interim Financial Reporting.

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Newtopia US Inc. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2022 and accompanying notes. The Company has followed the same basis of presentation, accounting policies and method of computation for these unaudited condensed interim consolidated financial statements as were disclosed in the audited financial statements for the year ended December 31, 2022.

The unaudited condensed interim consolidated financial statements were approved for issuance by the Board of Directors on November 15, 2023.

3. Trade and other receivables

	September 30, 2023	December 31, 2022
	$	$
Trade receivables	**1,735,692**	1,491,664
Indirect taxes receivable	**38,935**	65,976
	1,774,627	1,557,640

The Company has estimated and set its expected credit losses at nil (September 30, 2022 - $Nil) based on the Company’s historical collection and loss experience and incorporates forward-looking factors, where appropriate.

(Expressed in Canadian Dollars)

4. Right-of-use asset and liability

The following table represents the right-of-use asset:

	Office
	$
Balance, December 31, 2021	369,538
Depreciation	(169,370)
Impairment of right-of-use asset	(200,168)
Balance, December 31, 2022 and September 30, 2023	-

Prior to the impairment of the right-of-use asset during the year ended December 31, 2022 (see below), the right-of-use asset was being depreciated over the life of the lease, which was 6 years.

Set out below is the carrying amounts of the lease liability and the movement during the period:

	$
Balance, December 31, 2021	667,556
Interest expense	70,797
Payments	(344,560)
Lease modification	150,907
Balance, December 31, 2022	544,700
Interest expense	26,784
Payments	(464,998)
Balance, September 30, 2023	**106,486**

	September 30, 2023
Amounts shown in:	
Current liabilities	**106,486**
Non-current liabilities	**-**
	106,486

Total cash outflow for leases, including principal and interest, during the nine months ended September 30, 2023 was $464,998 (September 30, 2022 - $281,913).

During the year ended December 31, 2022, the Company adopted a remote office model and initiated negotiations with the lessor to terminate the lease prior to the end of the lease term. The lease was terminated in November 2022 and in January 2023, the Company reached an agreement with the lessor to pay $381,636 in monthly instalments in 2023. At the date of termination, the Company recognized an impairment to the right-of-use asset at its net book value of $200,168 and remeasured the lease obligation by $150,907 to $544,700.

(Expressed in Canadian Dollars)

5. Intangible asset

Intangible asset consist of the purchase and customization of a new customer relationship management platform and the development of integrated web and mobile applications. Amortization of intangible asset is included in cost of revenue.

	$
Cost	
Balance, January 1, 2021	**2,251,852**
Additions	985,349
Capitalized borrowing costs	67,000
Balance, December 31, 2021 and September 30, 2023	**3,304,201**
Accumulated amortization	
Balance, January 1, 2021	**-**
Amortization	68,838
Balance, December 31, 2022	**68,838**
Amortization	619,537
Balance, September 30, 2023	**688,375**
Carrying amounts	
At December 31, 2022	**3,235,363**
At September 30, 2023	**2,615,826**

6. Credit facility

On December 4, 2020, the Company closed an Operating Credit Line Agreement (the “Facility”) in the amount of $5,000,000 with a Schedule I bank (the “Bank”). The Company could avail itself of the operating credit under the Facility by way of either Canadian dollars at prime lending rate plus 2.25% or United States dollars at the U.S. base lending rate plus 2.25%. The Facility is secured by all Newtopia property and is subject to certain covenants where the Company is required to meet minimum cash runway ratios. The Company intends to use the operating line facility to fund working capital requirements as needed.

In connection with the Facility, the Company was required to obtain a guarantee from Export Development Canada (the "EDC") of 50% of the available Facility plus accrued and unpaid interest up to a maximum of 120 days (the "Guaranteed Amount"). The Company agreed to pay a guarantee fee of 2.35% of the Guaranteed Amount and guaranteed interest on outstanding amounts at the Lender’s Prime Rate minus 0.05%. The initial guarantee covered the period from October 14, 2020 to September 30, 2021 (the "Guarantee Period"). In October 2021 the guarantee was extended until September 30, 2022. In October 2022, the guarantee was further extended until October 2024.

In accordance with the terms of the Facility, the Lender received 210,526 Warrants (the "Facility Warrants") on December 4, 2020, with each Warrant entitling the Lender to acquire one common share at a price of $0.95 at any time within the earlier of maturity date of the Facility and December 4, 2025. The fair value of the Facility Warrants was determined at $84,314 using the Black Scholes valuation model with the following assumptions: risk free interest rate of 0.27%, expected life of 5 years and expected volatility of 73.75%. The Company has classified the Facility Warrants within equity with the value of the Facility Warrants being treated as a transaction cost and deferred and amortized over the term of the Facility. The Facility Warrants expired unexercised on December 4, 2022.

6. Credit facility (cont'd)

The Company also incurred cash transaction costs of $141,955 in connection to the Facility. As the Facility can be drawn upon and then repaid by the Company repeatedly throughout the term, the transaction costs are in the nature of a facility fee and not specific to an amount borrowed. On this basis, the Company has deferred and amortized the transaction costs over the term of the Facility regardless of whether there have been any draw-downs by the Company. The guarantee fees paid to date in the amount of $187,360 were treated similarly but amortized over the Guarantee Period.

The Company has also incurred cash transaction costs of $138,805 in connection to the Facility. As the Facility can be drawn upon and then repaid by the Company repeatedly throughout the term, the transaction costs are in the nature of a facility fee and not specific to an amount borrowed. On this basis, the Company has deferred and amortized the transaction costs over the term of the Facility regardless of whether there have been any draw-downs by the Company.

During the three and nine months ended September 30, 2023, the Company recognized amortization of deferred transaction costs related to the Facility in the unaudited Condensed Interim Statements of Loss and Comprehensive Loss of $14,500 and $28,840, respectively (three and nine months September 30, 2022 - $52,245 and $98,320, respectively). As at September 30, 2023, the balance of unamortized deferred transaction costs related to deferred transaction costs was $14,660.

Guarantee fees paid to September 30, 2023 in the amount of $203,160 are treated similarly but amortized over the Guarantee Period. Amortization of the deferred transaction costs recorded in the statements of loss and comprehensive loss during the three months and nine ended September 30, 2023 was $39,710 and $107,500, respectively (three and nine months ended September 30, 2022 - $68,140 and $191,910, respectively).

The Company was not in compliance with the Facility's minimum cash runway ratio covenant during certain months of 2021. In July 2021, the Bank agreed to not accelerate repayment of the Facility on the condition that the Company enter into a term sheet for a minimum $2,000,000 capital injection by August 15, 2021 with the funds received no later than August 31, 2021. Any injection in the form of debt financing would be fully subordinated to the Bank's Facility. Pursuant to a term sheet dated August 10, 2021, the Company closed a private placement of $2,545,000 debenture units on September 15, 2021 (see Note 7(a)).

On September 20, 2021, the bank agreed to increase the Facility from $5,000,000 to $7,500,000, waive the Company's breach of its minimum cash runway ratio covenants for the selected months and reduce the threshold for the cash runway ratio covenant for the months from September to December 2021. On October 1, 2021, the EDC increased the Guaranteed Amount to 50% of the $7,500,000 Facility. On January 31, 2022, the Company entered into an amendment with the bank to keep the reduced cash runway ratio covenant in place until May 31, 2022.

On June 29, 2022, the Company entered into a second amendment of the Facility with the Bank to replace the cash runway ratio covenant with a covenant to maintain minimum total liquidity thresholds for the months from May to September 2022 and to reduce the cash runway ratio covenant for the month of October 2022.

The Company has not been in compliance with all covenants for the months from September 30, 2022 to the date of these unaudited Condensed Interim Consolidated Financial Statements. On November 1, 2022, the Bank agreed to not accelerate repayment of the Facility on the conditions that the Company receives minimum capital injections of $700,000 by November 11, 2022 and $2,500,000 by December 15, 2022. In addition, the maximum credit on the Facility was capped at $4,880,760. Any injection in the form of debt financing would be fully subordinated to the bank's Facility.

On May 15, 2023, the Bank issued a letter to the Company agreeing to refrain from accelerating repayment of the Facility subject to the agreement by the Company to the following, i) the Company is to provide evidence by May 31, 2023 of its intention to raise capital of no less than $1,500,000 by June 30, 2023, ii) the Facility is to be repaid in full on or prior to November 30, 2023, iii) effective May 23, 2023, the Company is to pay 15% annual interest on advances in excess of the lesser of the borrowing base and the maximum limit of the Facility which is adjusted from $4,880,760 to $4,900,000, and iv) pricing on the Facility is increased by 3% per annum, payable in kind and subject to ratable forgiveness tied to full repayment of the loan before November 30, 2023. On July 14, 2023, the Company raised $1,500,000 (See Note 7(b)). The Bank is continuing credit to the Company on a day-to-day basis subject to no further defaults and deterioration of its position and as of the date of these financial statements

(Expressed in Canadian Dollars)

6. Credit facility (cont'd)

have not accelerated repayment of the Facility.

As of September 30, 2023, $4,362,850 was outstanding on the Facility. Interest expense for the three and nine months ended September 30, 2023 was $113,204 and $324,386, respectively (three and nine months ended September 30, 2022 - $66,835 and $160,392, respectively).

7. Debentures

The following table is a summary of the amortized cost of the Debentures:

	8% (a)(i) & (ii)	12% (a)(ii)	12% (a)(iii)	13% (b)	13% (c)	Total
	$	$	$	$	$	$
Balance, December 31, 2021	**2,182,403**	**-**	**-**	**-**	**-**	**2,182,403**
Value of liability component, net of issuance costs	-	-	-	-	1,056,357	1,056,357
Interest and accretion	376,033	-	-	-	12,415	388,448
Repayment	(203,600)	-	-	-	-	(203,600)
Adjustment to issuance costs	54,267	-	-	-	-	54,267
Balance, December 31, 2022	**2,409,103**	**-**	**-**	**-**	**1,068,772**	**3,477,875**
Value of liability component, net of issuance costs	-	1,656,738	323,890	1,279,228	-	3,259,856
Interest and accretion	297,780	11,477	-	60,674	224,048	593,979
Repayment	(182,700)	-	-	-	(87,750)	(270,450)
Loans extinguished (a)(i)	(1,735,000)	-	-	-	-	(1,735,000)
Loans restated on modification (a)(i)	(6,380)	-	-	-	-	(6,380)
Loan modification transaction costs (a)(i)	(6,894)	-	-	-	-	(6,894)
Balance, September 30, 2023	**775,909**	**1,668,215**	**323,890**	**1,339,902**	**1,205,070**	**5,312,986**

The debentures repayable in excess of one year is presented as long-term liabilities:

	Total
	$
Current portion - payable no later than one year	**2,550,619**
Non-current portion	**2,762,367**
	5,312,986

(a) September 2021 offering of 8% secured non-convertible debentures

(i) On September 15, 2021, the Company closed a non-brokered private placement of subordinated and postponed 8.0% secured non-convertible debenture units (the "8% Debenture Units") for gross proceeds of $2,545,000.

Each unit is comprised of: (i) $10,000 principal amount of subordinated and postponed secured non-convertible

7. Debentures (cont'd)

(a) September 2021 offering of 8% secured non-convertible replacement debentures

debentures of the Company (the "8% Debentures"); and (ii) 1,724 common share purchase warrants of the Company (each whole warrant, a "Warrant"). Each Warrant is exercisable for one common share of the Company until September 15, 2023 (the "Expiry Date"). The exercise price of Warrants shall be $0.58 per share during the first year following the closing date and $0.75 per share following the one-year anniversary of the closing date until the Expiry Date. The securities issued pursuant to the Offering were subject to a four month hold period that expired on January 16, 2022. An aggregate of 438,777 Warrants were issued in connection with the closing of the private placement.

The 8% Debentures matured on September 15, 2023 and are secured by the property, assets and rights of the Company subordinated to the Credit Facility and bear interest at a rate of 8.0% per annum payable quarterly in arrears in cash.

The 8% Debentures cannot be redeemed for four months from closing of the offering; however can thereafter be repaid in part or in full at any time subject to an early repayment fee equal to: (i) 6% of the principal amount of the 8% Debenture if repayment occurs prior to the date that is six months following the closing date; (ii) 4% of such principal amount if repayment occurs following the date that is six months following the date of closing but prior to the first anniversary of the closing date; (iii) 3% of such principal amount if repayment occurs following the first anniversary of the closing date but prior to the date that is six months following such first anniversary; or (iv) 2% of such principal amount if repayment occurs following the date is six months following the first anniversary of the closing date but prior to the date of maturity.

Finders acting in connection with the offering received a cash fee in the aggregate total amount of $108,500 and an aggregate 187,067 finder's warrants (the "Finders' Warrants") exercisable for Common Shares until September 15, 2022 at an exercise price of $0.58 per share. The Finders' Warrants were valued at $31,666 using the Black Scholes option pricing model with the following assumptions: risk free interest rate of 0.25%, expected life of one year, stock price of $0.58 and expected volatility of 74.63%. The Company also incurred legal costs of $99,599 in connection with the offering.

The Company agreed to pay an annual work and credit maintenance fee of 2% of the principal amount in cash, due and payable annually in advance. The Company will defer and amortize the maintenance fee over the date the fee is due to the maturity date. During the three and nine months ended September 30, 2023, the Company recorded amortization of deferred maintenance fees related to the 8% Debentures of $10,604 and $36,054, respectively in the unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (three and nine months ended September 30, 2022 - $12,725 and $30,175). As at September 30, 2023, the balance of deferred transaction costs related to the maintenance fee due on the second anniversary of the private placement was fully amortized.

As per IAS 32, the 8% Debentures are accounted for as a compound financial instrument with a liability component, being the host debt contract, a separate equity component, being the Warrants to the Lenders, and an embedded derivative, being the prepayment option.

At inception, the Company used the residual value method to allocate the principal amount of the Debentures between the liability and equity components. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 12.60%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component of the 8% Debentures comprises the value of the Warrants to the Lenders, being the difference between the face value of the 8% Debentures and the liability element calculated above. Total transaction costs of $239,766 were proportionally allocated between the host debt and the equity component based on their relative fair values. Based on this calculation, the net amount allocated to the host debt was $2,120,313 and the residual equity component was $184,921. The prepayment option was determined to be closely related and its value was determined to be not material. During the year ended December 31, 2022, the Company reduced accrued transaction costs by $59,000. The reduction resulted in increases to the liability and equity components of $54,267 and $4,733, respectively.

The host debt was subsequently carried at amortized cost at an effective interest rate of 17.96%. Accretion charges attributable to the 8% Debentures for the three and nine months ended September 30, 2023 were

7. Debentures (cont'd)

(a) September 2021 offering of 8% secured non-convertible replacement debentures

$87,639 and $288,597, respectively (three and nine months ended September 30, 2022 - $97,177 and $124,184, respectively. This amount is added to the liability component on the unaudited Condensed Interim Consolidated Statements of Financial Position and is included in accretion expense on the unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss.

(ii) Amendment of 8% Debentures

Upon the maturity of the 8% Debentures on September 15, 2023, the Company amended $1,735,000 of the $2,545,000 8% Debentures to (a) extend the maturity date of the Debentures by one year to September 15, 2024; (b) bear interest at a rate of 12% for the period from September 15, 2023 until the new maturity date; and (c) include an early repayment fee equal to (i) six percent (6%) of the principal amount of the Debentures if such repayment occurs prior to March 15, 2024; or (ii) four percent (4%) of the principal amount of the 8% Debentures if such repayment occurs following March 15, 2024 but prior to September 15, 2024 (the "Amendment Debentures"). As consideration, the holders that agree to the amendments will receive, for no additional consideration, such number of common shares in the capital of the Company (the "Bonus Amendment Shares") as is equal to 10% of the principal of amount of Amendment Debentures held divided by $0.115, being the closing market price of the common shares of the Company on the TSXV on September 11, 2023. The Bonus Amendment Shares are subject to a four month hold period that expires on January 16, 2024. An aggregate of 1,505,682 Bonus Amendment Shares were issued to the holders of the $1,735,000 Amendment Debentures.

The Company will pay to the holders of the Amendment Debentures an annual work and credit maintenance fee of 2% of the principal amount in cash to be paid on November 15, 2023. During the three and nine months ended September 30, 2023, the Company recorded amortization of deferred maintenance fees related to the Amendment Debentures in the unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss of $1,446, respectively (three and nine months ended September 30, 2022 - $Nil). As at September 30, 2023, the balance of unamortized deferred transaction costs related to the annual maintenance fee payment was $33,254.

The Company considers the issuance of the Bonus Amendment Shares to be a substantial modification to the original loan. Under IFRS 9, $1,735,000 of the 8% Debentures is accounted for as an extinguishment with the Amendment Debentures recognized as a new liability at fair value. The Company valued the debt component of the Amended Debentures by calculating the present value of the principal and interest payments, discounted at a rate of 17%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The Company used the residual value method to allocate the principal amount of the Amendment Debentures between the liability and equity components. The equity component comprises the value of the Amendment Bonus Shares, being the difference between the face value of the Amendment Debentures and the liability element calculated above. Related transaction costs of $15,536 were recognized as a loss on the extinguishment of debentures on the unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss. Based on this calculation, the amount allocated to host debt was $1,656,738 and the residual equity component was $78,262. The prepayment option was determined to be closely related and its value was determined to be not material.

Accretion charges attributable to the new liability for the three and nine months ended September 30, 2023 were $11,477, respectively. This amount is added to the liability component on the unaudited Condensed Interim Consolidated Statements of Financial Position and is included in accretion expense on the unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss.

In addition to the above amendments to the 8% Debentures, $780,000 of the $2,535,000 8% Debentures was extended at the maturity date by one month until October 15, 2023 to allow the Company additional time to raise up to $2,545,000 in a non-brokered offering of replacement debenture units announced by the Company on September 15, 2023 (see (iii)) to repay any of the 8% Debentures that do not agree to the amendments provided under the Amendment Debentures. The one-month extension is considered to be a non-substantial modification of the original loan and as per IFRS 9, the carrying value of the $780,000 loan is restated to the net present value of the revised cash flows discounted at the original effective interest rate. Transaction costs of $6,894 incurred in connection with the one-month extension were included in the calculation of the carrying value. The $780,000 debentures were restated to $766,725 with a modification adjustment of $6,380 recognized in the unaudited

7. Debentures (cont'd)

(a) September 2021 offering of 8% secured non-convertible replacement debentures

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss. Accretion charges attributable to the extended debentures for the three and nine months ended September 30, 2023 were $9,183, respectively. This amount is added to the liability component on the unaudited Condensed Interim Consolidated Statements of Financial Position and is included in accretion expense on the unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss.

On September 15, 2023, the Company repaid $30,000 of the $2,535,000 8% Debentures that matured on September 15, 2023.

(iii) September 2023 offering of 12% secured non-convertible replacement debentures

On September 15, 2023, the Company announced a non-brokered offering (the "Replacement Offering") of subordinated and postponed 12% secured non-convertible debenture units (the "Replacement Units"). Up to 255 Units may be issued pursuant to the Replacement Offering. Each Unit is comprised of: (i) $10,000 principal amount of subordinated and postponed secured non-convertible debentures of the Company (the "Replacement Debentures"); and (ii) for no additional consideration, such number of common shares in the capital of the Company (the "Bonus Replacement Shares") as is equal to 10% of the principal amount of Replacement Debentures purchased divided by $0.115, being the closing market price of the common shares of the Company on the TSXV on September 11, 2023. The Debentures will mature on the date that is 12 months from the closing date of the Replacement Offering and are secured by the assets of the Company and bear interest at a rate of 12% per annum payable quarterly in arrears in cash. The Replacement Debentures may be repaid in part or in full at any time subject to an early repayment fee equal to: (i) six percent (6%) of the principal amount of the Replacement Debentures if such repayment occurs prior to six months following the closing date; or (ii) four percent (4%) of the principal amount of the Replacement Debentures if such repayment occurs following the date that is six months following the closing date but prior to the maturity date.

The Company will pay to the holders of the Replacement Debentures an annual work and credit maintenance fee of 2% of the principal amount in cash to be paid on the date that is two months following the completion of the Replacement offering.

As consideration for certain services provided to the Company in connection with the Replacement Offering, the Company may pay a finder's fee comprised of a cash fee equal to 6% of the principal amount of Replacement Debentures purchased by subscribers that are introduced to the Company by each such finder and such number of compensation options to purchase common shares in the capital of the Company (the "Replacement Compensation Options") calculated based on 6% of the principal amount of Replacement Debentures purchased by subscribers that were introduced to the Company by each such finder divided by $0.115, being the closing market price of the common shares of the Company on the TSXV on September 11, 2023. Each Replacement Compensation Option is exercisable into one common share of the Company at $0.115 per share, subject to adjustments in certain events, until the date that is 24 months following the closing date.

On September 29, 2023, the Company closed the first tranche of Replacement Units for gross proceeds of $380,000. The Replacement Debentures will mature on September 29, 2024. An aggregate of 323,424 Bonus Replacement Shares were issued in connection with the closing of the first tranche.

The Company will pay to the holders of the Replacement Debentures a work and credit maintenance fee of 2% of the principal amount in cash payable on October 29, 2023. The Company will defer and amortize the maintenance fee over the date the fee is due to the maturity date.

Certain finders acting in connection with the offering received a finder's fee in the aggregate total amount of $22,800 and 198,260 non-transferable Replacement Compensation Options. The Replacement Compensation Options were calculated based on 6% of the principal amount of Debentures purchased by subscribers that were introduced to the Company by each such finder divided by $0.115, being the closing market price of the common shares of the Company on the Exchange on September 11, 2023. Each Replacement Compensation Option is exercisable into one common share of the Company at $0.115 per share, subject to adjustments in certain events, until September 29, 2025. The Replacement Compensation Options was estimated at the closing date using the Black-Scholes option pricing model with the following assumptions: stock price of $0.105, risk-free interest rate of

7. Debentures (cont'd)

(a) September 2021 offering of 8% secured non-convertible replacement debentures

4.87%, expected volatility of 147.55% and expected life of 2 years. The aggregate fair value of the Replacement Compensation Options was estimated at $14,651. The Company also incurred transactions costs of $3,359 in connection with the first tranche of the offering.

At inception, the Company used the residual value method to allocate the principal amount of the Replacement Units between the liability and equity components. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 17%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component of the Replacement Units comprises the value of the Bonus Replacement Shares, being the difference between the face value of the Replacement Debentures and the liability element calculated above. Total transaction costs of $40,810 were proportionally allocated between the host debt and the equity component based on their relative fair values. Based on this calculation, the amount allocated to the host debt was $328,890 and the residual equity component was $15,300. The prepayment option was determined to be closely related and its value was determined to be not material. Accretion charges attributable to the Replacement Debentures for the three and nine months ended September 30, 2023 were $Nil, respectively.

(b) July 2023 offering of 13% secured non-convertible debentures

On July 14, 2023, the Company closed a non-brokered offering (the "July 2023 Offering") of subordinated and postponed 13% secured non-convertible debenture units (the "July 2023 Debenture Units") for gross proceeds of $1,500,000. Each July 2023 Debenture Unit is comprised of: (i) $10,000 principal amount of subordinated and postponed secured non-convertible debentures of the Company (the "July 2023 Debentures"); and (ii) for no additional consideration, 30,769 common shares of the Company (the "July 2023 Bonus Shares"). The July 2023 Bonus Shares are calculated based on 20% of the principal amount of the Debentures purchased divided by $0.065, being the closing market price of the common shares of the Company on June 29, 2023, being the closing price on the trading day prior to the day on which the July 2023 Offering was initially announced on June 30, 2023. The securities issued pursuant to the July 2023 Offering are subject to a four month hold period that expires on November 15, 2023. An aggregate of 4,615,366 July Bonus Shares were issued in connection with the closing of the offering.

The Debentures will mature on July 14, 2025 and are secured by the assets of the Company and bear interest at a rate of 13.0% per annum payable quarterly in arrears in cash.

The Company will pay to the holders of the Debentures an annual work and credit maintenance fee of 2% of the principal amount in cash. The annual maintenance fee will be paid in advance for each year, with the first payment due and payable on October 14, 2023 and the final maintenance fee payment due and payable on July 14, 2024. The Company will defer and amortize the maintenance fee over the date the fee is due to the maturity date.

Finders acting in connection with the offering received a finder's fee in the aggregate total amount of $22,800.

Certain finders acting in connection with the Offering received a finder's fee in the aggregate total amount of $58,200 and 872,307 non-transferable compensation options (the "July 2023 Compensation Option"). The July 2023 Compensation Options were calculated based on 7% of the principal amount of Debentures purchased by subscribers that were introduced to the Company by each such finder divided by $0.065, being the closing market price of the common shares of the Company on the Exchange on June 29, 2023. Each July 2023 Compensation Option is exercisable into one common share of the Company at $0.065 per share, subject to adjustments in certain events, until July 14, 2025. Each July Compensation Option was estimated at the closing date using the Black-Scholes option pricing model with the following assumptions: stock price of $0.07, risk-free interest rate of 4.64%, expected volatility of 145.45% and expected life of 2 years. The aggregate fair value of the July 2023 Compensation Options was estimated at $44,031. The Company incurred $27,210 in additional closing costs.

At inception, the Company used the residual value method to allocate the principal amount of the 13% Debentures between the liability and equity components. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 17%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component of the 13% Debentures comprises the value of the Bonus Replacement Shares, being the

7. Debentures (cont'd)

(b) July 2023 offering of 13% secured non-convertible debentures

difference between the face value of the July 2023 Debentures and the liability element calculated above. Total transaction costs of $129,441 were proportionally allocated between the host debt and the equity component based on their relative fair values. Based on this calculation, the amount allocated to host debt was $1,279,228 and the residual equity component was $91,331. The prepayment option was determined to be closely related and its value was determined to be not material.

Accretion charges attributable to the July 2023 Debentures for the three and nine months ended September 30, 2023 were $60,674, respectively. This amount is added to the liability component on the unaudited Condensed Interim Consolidated Statements of Financial Position and is included in accretion expense on the unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss.

(c) December 2022 offering of 13% secured non-convertible debentures

On December 15, 2022, the Company closed a non-brokered offering of subordinated and postponed 13% secured non-convertible debenture units for gross proceeds of $1,350,000.

Each unit is comprised of: (i) $10,000 principal amount of subordinated and postponed secured non-convertible debentures of the Company (the "December 2022 Debentures"); and (ii) for no additional consideration, 66,666 common shares of the Company (the "December 2022 Bonus Shares"). The Bonus Shares are calculated based on 20% of the principal amount of the December 2022 Debentures purchased divided by $0.03, being the closing price on the trading day prior to the day on which the offering was initially announced on November 30, 2022. An aggregate of 8,999,990 Bonus Shares were issued. The securities issued are subject to a four month hold period that expires on April 16, 2023.

The December 2022 Debentures will mature on December 15, 2024 and are secured by the assets of the Company and rights of the Company subordinated to the Credit Facility and bear interest at a rate of 13.0% per annum payable quarterly in arrears in cash.

The December 2022 Debentures cannot be redeemed for four months from closing of the offering; however can thereafter be repaid in part or in full at any time subject to an early repayment fee equal to: (i) 6% of the principal amount of the 13% Debentures if repayment occurs prior to the date that is six months following the closing date; (ii) 4% of such principal amount if repayment occurs following the date that is six months following the date of closing but prior to the first anniversary; (iii) 3% of such principal amount if repayment occurs following the first anniversary but prior to the date that is six months following such first anniversary; or (iv) 2% of such principal amount if repayment occurs following the date is six months following the first anniversary of the closing date but prior to the date of maturity.

Finders acting in connection with the offering received a finder's fee in the aggregate total amount of $5,500.

The Company will pay to the holders of the December 2022 Debentures an annual work and credit maintenance fee of 2% of the principal amount in cash. The annual maintenance fee will be paid in advance for each year, with the first payment made on March 15, 2023 and the final maintenance fee payment due and payable on the one-year anniversary of the closing date. During the three and nine months ended September 30, 2023, the Company recorded amortization of deferred maintenance fees related to the December 2022 Debentures in the unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss of $6,750 and $13,500, respectively (three and nine months ended September 30, 2022 - $Nil). As at September 30, 2023, the balance of unamortized deferred transaction costs related to the first annual maintenance fee payment was $12,375.

At inception, the Company used the residual value method to allocate the principal amount of the December 2022 Debentures between the liability and equity components. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 26%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component of the December 2022 Debentures comprises the value of the December 2022 Bonus Shares, being the difference between the face value of the 13% Debentures and the liability element calculated above. Total transaction costs of $33,056 were proportionally allocated between the host debt and the equity component based on their relative fair values. Based on this calculation, the amount allocated to host debt was $1,056,357

(Expressed in Canadian Dollars)

7. Debentures (cont'd)

(c) December 2022 offering of 13% secured non-convertible debentures

and the residual equity component was $260,607. The prepayment option was determined to be closely related and its value was determined to be not material.

Accretion charges attributable to the December 2022 Debentures for the three and nine months ended September 30, 2023 were $77,583 and $224,048 (three and nine months ended September 30, 2022 - $Nil). This amount is added to the liability component on the unaudited Condensed Interim Consolidated Statements of Financial Position and is included in accretion expense on the unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss.

8. Equity

(a) Common shares, authorized unlimited

	Number of Shares	Amount
		$
Balance, December 31, 2022	**126,992,776**	**47,978,992**
Private placement, net of issuance costs *(i)*	21,928,000	930,218
Compensation options issued to brokers *(i)*	-	(26,443)
Exercise of warrants	2,590,490	318,065
Bonus Amendment Shares (Note 7(a)(ii))	1,508,682	78,262
Bonus Replacement Shares (Note 7(a)(iii))	330,424	15,300
Bonus shares issued on July 2023 Offering (Note 7(b))	4,615,366	91,331
Balance, September 30, 2023	**157,965,738**	**49,385,725**

	Number of Shares	Amount
		$
Balance, December 31, 2021	**100,492,786**	**45,177,120**
Private placement, net of issuance costs *(ii)*	17,500,000	2,624,495
Compensation options issued to brokers *(ii)*	-	(83,230)
Balance, September 30, 2022	**117,992,786**	**47,718,385**

(i) On March 7, 2023, the Company closed a private placement offering of units (the "March 2023 Units") at a price of $0.07 per unit for gross proceeds of $1,534,960. Each March 2023 Unit is comprised of: (i) one Common Share in the capital of the Company; (ii) a first one-half of one Common Share purchase warrant (each whole first warrant, an "A Warrant"); and (iii) a second one-half of one Common Share purchase warrant (each whole second warrant, a "B Warrant"). Each A Warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.10 per A Warrant Share for a period of six months from the closing date of the offering. Each B Warrant entitling the holder thereof to acquire one Common Share at an exercise price of $0.15 per B Warrant Share for a period of 24 months from the closing date of the Offering. As consideration for certain services provided to the Company in connection with the offering, the Company paid an aggregate of $42,151 and issued 595,021 compensation options (the "Compensation Options") exercisable to acquire one Common Share at a price of $0.07 per Common Share for a period of 24 months following the closing date of the offering, as finders' fees to certain

8. Equity (cont'd)

(a) Common shares, issued and outstanding (cont'd)

persons.

The Company received net proceeds of $1,467,295 after deducting finders' fees paid in cash of $42,151 and cash closing costs of $25,514. The net proceeds and Compensation Options are allocated to Common Shares, A Warrants and B Warrants on a pro-rata basis relative to their fair values. Each A Warrant was estimated at the closing date using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 4.55%, expected volatility of 210.65% and expected life of 6 months. Each B Warrant and Compensation Option was estimated at the closing date using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 4.32%, expected volatility of 139.96% and expected life of 24 months. The net proceeds are allocated between Common Shares, A Warrants and B Warrants at $930,218, $250,669 and $286,408, respectively. The fair value of the Compensation Options of $41,711 is allocated to Common Shares, A Warrants and B Warrants at $26,443, $7,126 and $8,142, respectively.

(ii) On April 29, 2022, the Company closed a brokered private placement offering of 16,950,000 units of the Company (the “April 2022 Units”) at a price of $0.20 per Unit (the “Offering Price”) for aggregate gross proceeds of $3,390,000 (the “Brokered Offering”). Each April 2022 Unit is comprised of one common share in the capital of the Company and one-half of one Common Share purchase warrant (each whole warrant, a “Warrant”). Each Warrant is exercisable to acquire one Common Share at an exercise price of $0.30 per Common Share, subject to adjustments in certain events, for a period of 24 months following the closing of the Brokered Offering.

In consideration for the services provided by the agent in connection with the Brokered Offering (the "Agent"), the Agent received: (i) a cash fee equal to 7.0% of the gross proceeds of the Brokered Offering, subject to a reduced cash fee of a maximum of 2% of the aggregate gross proceeds realized from the Units sold by the Agent to management, board members and other insiders of the Company identified by the Company to the Agent (the “President’s List Purchasers”); and (ii) 904,050 non-transferable broker warrants (the “Broker Warrants”), which represents 7.0% of the total number of April 2022 Units sold under the Brokered Offering to purchasers who were not President’s List Purchasers. Each Broker Warrant is exercisable into one Common Share at the Offering Price, subject to adjustments in certain events, until April 29, 2024.

The Company received net proceeds of $3.026,334 after deducting agent commissions paid in cash of $189,810 and cash closing costs of $173,856. The net proceeds and the deduction of the Broker Warrants are allocated to Common Shares and Warrants on a pro-rata basis relative to their fair values. Each Warrant and Broker Warrant was estimated at the closing date using the Black-Scholes option pricing model with the following assumptions: stock price of $0.22, risk-free interest rate of 2.63%, expected volatility of 86.74 and expected life of 2 years. The net proceeds are allocated between Common Shares and Warrants at $2,530,572 and $495,762, respectively. The fair value of the Broker Warrants of $99,536 is allocated to Common Shares and Warrants at $83,230 and $16,306, respectively.

The Company also concurrently completed a non-brokered private placement of 550,000 April 2022 Units, at the Offering Price with certain insiders of the Company for aggregate proceeds of $110,000 (the “Non-Brokered Offering”, and together with the Brokered Offering, collectively, the “Offerings”) on the same terms as the Brokered Offering. No fees or commissions are payable to the Agent in connection with the Non-Brokered Offering. The Non-Brokered Offering closed on May 11, 2022. The proceeds are allocated to Common Shares and Warrants on a pro-rata basis relative to their fair values. Each Warrant was estimated at the closing date using the Black-Scholes option pricing model with the following assumptions: stock price of $0.17, risk-free interest rate of 2.73%, expected volatility of 89.75 and expected life of 2 years. The proceeds are allocated between Common Shares and Warrants at $93,923 and $16,077, respectively.

(Expressed in Canadian Dollars)

8. Equity (cont'd)

(b) Warrants

As at September 30, 2023 and 2022, the Company has the following warrants outstanding with the corresponding average exercise prices:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, December 31, 2022	**13,804,106**	**0.31**
A Warrants issued on private placement offering of Units *(Note 8(a)(i))*	10,964,000	0.10
B Warrants issued on private placement offering of Units *(Note 8(a)(i))*	10,964,000	0.15
Private placement offering of March 2023 Units, compensation options *(Note8(a)(i))*	595,021	0.07
Private placement offering of Replacement Units, compensation options *(Note 7(a)(i))*	198,260	0.065
Private placement offering of July 2023 Debenture Units, compensation options *(Note 7(b))*	872,307	0.065
Warrants exercised	(2,590,490)	0.10
Warrants expired	(10,548,566)	0.11
Balance, September 30, 2023	**24,258,638**	**0.188**
Balance, December 31, 2021	**16,895,510**	**0.89**
Unit Warrants issued on private placement *(Note 8(a)(i))*	8,750,000	0.30
Broker warrants issued on private placement *(Note 8(a)(i))*	904,050	0.20
Warrants expired	(8,031,928)	0.97
Balance, September 30, 2022	**18,517,632**	**0.55**

During the nine months ended September 30, 2023, the Company received cash proceeds of $258,299 from the exercise of 2,590,490 common share purchase warrants for 2,590,490 common shares. The fair value of the exercised warrants in the amount of $59,766 was re-allocated from contributed surplus to common shares.

(Expressed in Canadian Dollars)

8. Equity (cont'd)

The following table reflects the actual warrants issued and outstanding as of September 30, 2023:

Expiry date	Exercise Price	Number of Warrants
	$	
April 2024	0.30	8,750,000
April 2024	0.20	904,050
February 2025	0.0001	2,000,000
March 2025 (Note 8(a)(i))	0.15	10,964,000
March 2025 (Note 8(a)(i))	0.07	570,021
July 2025 (Note 7(b))	0.065	872,307
September 2025 (Note 7(a)(ii))	0.115	198,260
		24,258,638

The following table reflects the actual warrants issued and outstanding as of September 30, 2022:

Expiry date	Exercise Price	Number of Warrants
	$	
October 2022	1.30	3,950,000
October 2022	0.95	553,000
October 2022	0.95	210,526
May 2023	0.70	1,711,279
September 2023	0.58	438,777
April 2024	0.30	8,750,000
April 2024	0.20	904,050
February 2025	0.0001	2,000,000
		18,517,632

9. Contributed surplus

	September 30, 2023	December 31, 2022
	$	$
Stock options	**7,981,258**	7,331,920
Warrants	**6,091,965**	5,529,529
	14,073,223	12,861,449

(Expressed in Canadian Dollars)

10. Revenue

The Company has recognized the following amounts relating to revenue in the Condensed Interim Statements of Loss and Comprehensive Loss in the nine months ended September 30, 2023 and 2022:

	2023	2022
	$	$
Engaged participant and variable consideration	**6,468,038**	7,048,347
Welcome kits	**972,259**	1,003,764
	7,440,297	8,052,111

The Company recognizes contract assets or contract liabilities with respect to its success fees, guarantee fees and other allocations relating to sale of its bundled products. The Company account for contract assets and liabilities on a contract-by-contract basis with each contract presented as a net contract asset or a net contract liability accordingly.

Contract assets relate to success fees for which the Company believes a significant reversal of revenue will not occur, but the right to related consideration is conditional on achievement of certain metrics.

Contract liabilities relate to the Company's estimate of the amount of consideration it expects to refund to its customers, material future rights expected to be exercised by customers and discounts provided to customers (due to the allocation of the transaction price to the performance obligations).

Below is a summary of contract assets and contract liabilities from contracts with customers and the significant changes in those balances during nine months ended September 30, 2023 and 2022:

	$
Contract asset (liability)	
Balance, December 31, 2022	**190,000**
Estimated variable consideration	(135,410)
Settlement of variable consideration	(39,260)
Balance, September 30, 2023	**15,330**
Balance, December 31, 2021	**(144,034)**
Estimated variable consideration	11,775
Settlement of variable consideration	123,259
Balance, September 30, 2022	**(9,000)**

(Expressed in Canadian Dollars)

11. Share-based payment arrangements

The Company has established a stock option plan for the benefit of its employees, directors, officers and consultants. The maximum number of options that may be granted under the original plan was 18,114,870. On September 14, 2022, the Shareholders approved an increase to the maximum number of options to 23,598,557. The options are exercisable for a period of up to 5 years.

The Board of Directors determines the vesting schedule, exercise 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. Vesting is contingent upon continuous service and or employment through the specific vesting date and have an exercise price as set forth in the option certificate issued in respect of such option and in any event shall not be less than market price of the common shares as of the award date.

The number and weighted-average exercise price of options under the stock option program were as follows:

	Number of Options	Weighted Average Exercise Price
		$
Outstanding, as at December 31, 2022	**12,903,549**	**0.49**
Granted	10,850,000	0.11
Expired	(248,571)	0.70
Forfeited	(280,676)	0.59
Options outstanding, September 30, 2023	**23,224,302**	**0.31**
Outstanding, as at December 31, 2021	**14,717,615**	**0.52**
Granted	2,446,125	0.23
Expired	(3,700,000)	0.43
Forfeited	(415,595)	0.65
Options outstanding, September 30, 2022	**13,048,145**	**0.49**

The Company recognized share-based compensation expense of $158,584 and $466,887 for the three and nine months ended September 30, 2023, respectively, with a corresponding amount recognized to Contributed Surplus (three and nine months ended September 30, 2022 - $140,314 and $404,112, respectively).

The fair value of the stock options granted during the nine months ended September 30, 2023 and 2022 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2023	2022
Share price	$0.075 - $0.105	$0.15 - $0.28
Expected volatility	124.19%	70.05% - 97.18%
Expected life	5 years	5 years
Expected dividends	-%	-%
Risk-free interest rate	3.16% - 3.79%	1.93% - 3.53%
Forfeiture rate	6.69% - 7.33%	6.71% - 6.82%

(Expressed in Canadian Dollars)

11. Share-based payment arrangements (cont'd)

The following table is a summary of the Company's stock options outstanding as at September 30, 2023:

	Options Outstanding			Options Exercisable	
Exercise Price Range	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$	#	#	$	#	$
0.105 - 0.20	11,451,140	4.42	0.11	3,044,862	0.12
0.21 - 0.40	2,889,579	2.66	0.26	2,057,448	0.26
0.41 - 0.60	6,569,739	0.96	0.48	6,378,469	0.48
0.61 - 0.85	2,313,844	2.13	0.85	2,154,863	0.85
Balance, September 30, 2023	**23,224,302**	**3.00**	**0.31**	**13,635,642**	**0.42**

The following table is a summary of the Company's stock options outstanding as at September 30, 2022:

	Options Outstanding			Options Exercisable	
Exercise Price Range	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$	#	#	$	#	$
0.145 - 0.20	614,056	4.85	0.20	3,332	0.15
0.21 - 0.40	3,047,115	3.67	0.26	1,348,061	0.27
0.41 - 0.60	6,664,318	1.99	0.48	5,382,276	0.47
0.61 - 0.80	248,571	0.57	0.70	248,571	0.69
0.81 - 0.85	2,474,085	3.13	0.85	1,625,287	0.85
Balance, September 30, 2022	**13,048,145**	**2.70**	**0.49**	**8,607,527**	**0.52**

12. Related party transactions

The Company's key management personnel are comprised of the Board of Directors and current and former members of the executive team of the Company. Key management personnel compensation for the three and nine months ended September 30, 2023 and 2022 consisted of the following:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2023	2022	**2023**	2022
	$	$	**$**	$
Salaries, fees and short-term benefits	**668,697**	824,526	**2,285,514**	2,458,408
Share-based benefits	**198,980**	160,282	**628,587**	417,846
	867,677	984,808	**2,914,101**	2,876,254

On March 10, 2023, the Company issued 2,200,000 stock options to the directors of the Company for fees related to the three months ended December 31, 2022 and year ended December 31, 2023 of $33,125 and $132,500, respectively. Each option vests quarterly over one year and is exercisable at a price of $0.10 per common share at any time up to March 3, 2028. The fair value of the stock options was determined at $198,000 using the Black-Scholes option pricing model with the following assumptions: risk free interest rate 3.16%, expected life of 5 years

12. Related party transactions (cont'd)

and expected volatility of 124.19%. Amortization of the fair value of the above stock options during the nine months ended September 30, 2023 of $160,392 was applied against the directors fees owing for the three month period ended December 31, 2022 and year ended December 31, 2023.

On August 9, 2022, the Company issued 516,140 stock options to the directors of the Company for fees related to the three months ended June 30, 2022 of $57,500. Each option vests quarterly over one year and is exercisable at a price of $0.20 per common share at any time up to August 9, 2027. The fair value of the stock options was determined at $54,388 using the Black Scholes option pricing model with the following assumptions: share price of $0.15, risk free interest rate of 2.89%, expected life of 5 years and expected volatility of 97.18%. Amortization of the fair value of the above stock options during the nine months ended September 30, 2023 of $17,935 was applied against the directors fees balance owing with a remaining balance owing. As the stock options are fully amortized, the remaining outstanding balance of $3,111 is written off as a gain on settlement of the related party payable.

On April 4, 2022, the Company issued 355,785 stock options to the directors of the Company for fees related to the three-month period ended March 31, 2022 of $66,250. Each option vests quarterly over one year and is exercisable at a price of $0.26 per common share at any time up to April 4, 2027. The fair value of the stock options was determined at $59,047 using the Black-Scholes option pricing model with the following assumptions: exercise price of $0.28, risk free interest rate 2.43%, expected life of 5 years and expected volatility of 70.08%. Amortization of the fair value of the stock options during each of the three months ended September 30, 2023 in the amount of $4,124 was applied against the directors fees balance owing. As the stock options are fully amortized, the remaining outstanding balance of $7,203 is written off as a gain on settlement of the related party payable.

As at September 30, 2023, aggregate bonuses payable to members of the Company's executive team was $158,600 (September 30, 2022 - $157,500).

13. Economic dependence

During the nine months ended September 30, 2023, two customers whose services and product revenues exceeded 10% of the total revenue balance represented 89% of the Company's revenue (September 30, 2022 - 85%).

14. Events after the period end

On October 15, 2023, the Company repaid the $780,000 of 8% Debentures that were amended on September 15, 2023 to extend the original maturity date from September 15, 2023 to October 15, 2023 (see Note 7(a)(ii). On October 16, 2023, the Company closed the second and final tranche of the Replacement Offering (See Note 7(b)) for gross proceeds of $425,000. Total combined proceeds from the first and this final tranche of the Replacement Offering was $805,000. An aggregate of 369,562 Bonus Replacement Shares were issued in connection with the closing of the final tranche. The Replacement Debentures will mature on October 13, 2024. Certain finders acting in connection with the Replacement Offering received a finder's fee in the aggregate amount of $1,800 and 15,652 Replacement Compensation Options. Each Replacement Compensation Option is exercisable into one common share of the Company at $0.115 per share until October 13, 2025.