Annual Financial Statements

For the Years Ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

NEWTOPIA INC.

December 31, 2023 and 2022

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Newtopia Inc.
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Management's Responsibility for Financial Reporting

To the Shareholders of Newtopia Inc.

The accompanying financial statements of Newtopia Inc. ("Newtopia" or the "Company") are the responsibility of management and have been approved by the Board of Directors of the Company.

The financial statements have been prepared by management, in accordance with International Financial Reporting Standards, as disclosed in the notes to the financial statements. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. The finance department assists the Board of Directors in fulfilling its responsibility. The Board of Directors meets with management to review the financial reporting process and the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with the established financial standards and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

MNP LLP, the Company's independent auditors have audited the 2023 and 2022 financial statements and their report is presented herein. The auditors have full and unrestricted access to the Board of Directors.

Jeff Ruby
Chief Executive Officer

Collin Swenson
Chief Financial Officer

Toronto, Ontario
June 5, 2024

Independent Auditor's Report - **June 5, 2024**

To the Shareholders of Newtopia Inc.:

Opinion

We have audited the financial statements of Newtopia Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2023 and December 31, 2022, and the statements of loss and comprehensive loss, changes in equity (deficit) and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a comprehensive loss during the year ended December 31, 2023 and as of that date, the Company had an accumulated deficit and was not in compliance with the covenants of the credit facility. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Key Audit Matter Description

As described in Notes 2 (c) and 13, the Company has revenues totaling $9,783,546 from the sale of welcome kits, participant fees, success fees, and outcome guarantee fees. The determination of the transaction price for the welcome kit sales requires significant judgment and estimation, especially when considering customer options to purchase additional items at a later date, each of which represent distinct performance obligations.

In accordance with IFRS 15 Revenue from contracts with customers, there is variable consideration for participant fees, success fees, and outcome guarantee fees. The amount of variable consideration is subject to estimation and is highly susceptible to factors outside of the Company's influence, such as, among other factors, the number of participants who join the program. The amount of variable consideration recognized is estimated based upon participant data collected on existing and similar customer contracts, and is subject to predictions with respect to participant weight loss. Revenue recognition is considered to be a key audit matter as there are significant judgments made by management with respect to the estimates of transaction price and variable consideration. This resulted in significant auditor attention and judgment to evaluate.

Audit Response

We responded to this matter by performing procedures in relation to the IFRS 15 Assessment. Our audit work in relation to this included, but was not restricted to, the following:

- For a selection of key customer contracts with multiple performance obligations, we examined the key terms and assessed the reasonableness of the allocation of total transaction price to each distinct performance obligation;
- For a selection of revenue transactions, performed various substantive tests, including testing the occurrence, completeness and accuracy of revenue recorded by the Company based upon information produced by the entity;
- We tested Information Technology General Controls and other relevant application controls related to the consumer software application employed by management to track various aspects of program participants and related data;
- We evaluated the reasonability of management's judgments and estimates with respect to variable consideration with reference to historical program participant data, other available industry data, and by performing lookback procedures comparing estimates from prior years to actual outcomes; and
- We analyzed participant data subsequent to year end and compared the data with management's estimates. We also considered other events subsequent to year end which could be reasonably thought to have an impact on management's estimates.

Impairment of Intangible Asset

Key Audit Matter Description

Given the changing nature of the industry in which the Company operates, it was determined that the intangible asset had become impaired during the year. The determination as to whether or not there is impairment relating to an intangible asset involves significant judgment about the estimated future cash flows and plans for the asset. Refer to Note 2 (g) and (j), Material accounting policies and Note 8, Intangible asset for disclosures regarding the Company's policy for accounting for intangible assets and further information on the nature of the intangible asset.

Audit Response

We responded to this matter by performing audit procedures over the valuation of the intangible asset. Our audit work in relation to this included, but was not restricted to, the following:

- We obtained an understanding of management's impairment analysis process;
- We obtained and evaluated management's assessment of impairment of the intangible asset including their calculation of the recoverable amount;
- We assessed the reasonableness of management's cash flow projection used in the impairment model;
- We evaluated the key assumptions in the cash flow projection, which were subject to material uncertainty;
- We evaluated key qualitative factors such as whether the intangible asset was in active use or idle, and whether alternative uses were evident; and
- We assessed the appropriateness and completeness of related disclosures in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Marc Normand.

MNP LLP

Ottawa, Ontario

Chartered Professional Accountants

Licensed Public Accountants

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NEWTOPIA INC.

Statements of Financial Position
As at December 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	**2023**	2022
		$	$
Assets			
Current assets			
Cash		**387,339**	345,950
Trade and other receivables	4,18	**1,400,959**	1,557,640
Contract asset	13	**259,072**	190,000
Prepaid expenses and deposits		**101,043**	205,843
Inventories	5	**115,232**	325,571
Deferred costs	9	**64,583**	76,269
		2,328,228	2,701,273
Property and equipment	6	**4,665**	8,052
Intangible asset	8	**-**	3,235,363
		2,332,893	5,944,688
Liabilities			
Current liabilities			
Trade and other payables	21	**1,825,356**	2,584,039
Credit facility	9	**4,767,006**	4,823,545
Lease obligations	7	**-**	544,700
Deferred revenue		**48,185**	48,185
Debentures	10	**3,723,530**	2,409,103
		10,364,077	10,409,572
Debentures	10	**1,387,476**	1,068,772
		11,751,553	11,478,344
Equity/Deficit			
Common shares	11(a)	**49,404,596**	47,978,992
Contributed surplus	12	**14,151,188**	12,861,449
Deficit		**(72,974,444)**	(66,374,097)
		(9,418,660)	(5,533,656)
		2,332,893	5,944,688

Nature of business and going concern 1

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 financial statements

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NEWTOPIA INC.

Statements of Loss and Comprehensive Loss
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	**2023**	2022
		$	$
Revenue	13	**9,783,546**	11,166,428
Cost of revenue	5, 8,14	**4,505,888**	5,140,369
Gross profit		**5,277,658**	6,026,059
Operating expenses			
Technology and development	14	**2,329,837**	3,923,663
Sales and marketing	14	**1,386,548**	2,720,728
General and administrative	14	**3,595,484**	5,111,304
Share-based compensation	15	**555,816**	492,720
Depreciation of property and equipment	6	**5,935**	46,387
Impairment of intangible asset	8	**2,409,314**	-
Impairment of right-of-use asset	7	**-**	200,168
Loss on disposal of property and equipment	6	**-**	15,534
Depreciation of right-of-use asset	7	**-**	169,370
Lease modification	7	**-**	150,907
		10,282,934	12,830,781
Other expenses (income)			
Interest on lease obligations	7	**28,110**	70,797
Interest and accretion expense	10	**908,153**	388,448
Finance charges	9	**509,238**	273,736
Capitalized borrowing costs	8	**-**	(67,000)
Foreign exchange (gain)/loss		**44,560**	(19,053)
Loss on settlement of related party payable		**10,086**	-
Amortization of deferred finance charges	9	**149,896**	248,813
Debt modification	10	**(54,972)**	-
		1,595,071	895,741
Net loss and comprehensive loss		**(6,600,347)**	(7,700,463)
Loss per share			
Basic and diluted loss per share	17	**(0.04)**	(0.07)
Weighted average number of common shares outstanding			
Basic and diluted	17	**148,613,837**	112,736,347

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

NEWTOPIA INC.

Statements of Changes in Equity (Deficit)
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	Common Shares	Contributed Surplus	Deficit	Total
		$	$	$	$
Balance, January 1, 2022		**45,177,120**	**11,652,200**	**(58,673,634)**	**(1,844,314)**
Net loss and comprehensive loss		-	-	(7,700,463)	(7,700,463)
Share-based compensation		-	492,720	-	492,720
Private Placement Offering of Units, net of issuance costs	11(a)(i)	2,624,495	511,839	-	3,136,334
Compensation options issued to brokers		(83,230)	83,230	-	-
Adjustment of issuance costs of 8% Debenture Units	10(a)	-	4,733	-	4,733
Shares issued on issuance of 13% Debenture Units	10(b)	260,607	-	-	260,607
Settlement of related party payable	21	-	116,727	-	116,727
Balance, December 31, 2022		**47,978,992**	**12,861,449**	**(66,374,097)**	**(5,533,656)**
Net loss and comprehensive loss		-	-	(6,600,347)	(6,600,347)
Share-based compensation		-	555,816	-	555,816
March 2023 private placement offering, net of issuance costs	11(a)(ii)	930,218	537,077	-	1,467,295
March 2023 private placement offering, compensation options	11(a)(ii)	(26,443)	26,443	-	-
Bonus shares issued on July 2023 Debenture Offering	10(c)	91,331	6,341	-	97,672
Bonus Amendment Shares	10(a)(ii)	78,262	-	-	78,262
Bonus Replacement Shares	10(a)(iii)	34,171	15,744	-	49,915
Exercise of warrants	11(b)	318,065	(59,766)	-	258,299
Settlement of related party payable	21	-	208,084	-	208,084
Balance, December 31, 2023		**49,404,596**	**14,151,188**	**(72,974,444)**	**(9,418,660)**

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

NEWTOPIA INC.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(Expressed in Canadian Dollars)

	Note	**2023**	2022
		$	$
Cash flows used in operating activities			
Net loss and comprehensive loss		**(6,600,347)**	(7,700,463)
Items not involving cash:			
Depreciation of property and equipment		**5,935**	46,387
Depreciation of right-of-use asset		**.-**	169,370
Impairment of intangible asset	8	**2,409,314**	-
Impairment of right-of-use asset		**-**	200,168
Lease modification		**-**	150,907
Amortization of intangible asset		**826,049**	68,838
Amortization of deferred finance charges		**149,896**	248,813
Capitalized borrowing costs		**-**	(67,000)
Debenture interest and accretion expense		**558,311**	184,848
Interest on lease obligations		**28,110**	70,797
Loss on disposal of property and equipment		**-**	15,534
Debt modification		**(54,972)**	-
Share-based compensation		**555,816**	492,720
Loss on settlement of related party payable		**10,086**	-
		(2,111,802)	(6,119,081)
Change in non-cash working capital			
Trade and other receivables		**156,681**	(175,663)
Prepaid expenses and deposits		**104,800**	125,149
Inventories		**210,339**	(194,571)
Trade and other payables		**(560,689)**	794,346
Contract asset/liability		**(69,072)**	(334,034)
Deferred revenue		**-**	(11,364)
		(2,269,743)	(5,915,218)
Cash flows used in investing activities			
Purchase of property and equipment	6	**(2,548)**	(3,826)
Intangible asset development costs	8	**-**	(985,349)
		(2,548)	(989,175)
Cash flows from financing activities			
Credit facility withdrawals	9	**6,570,269**	9,396,285
Credit facility repayments	9	**(6,626,808)**	(6,904,054)
Credit facility financing costs	9	**(138,210)**	(162,210)
Proceeds from promissory notes	9	**-**	550,000
Repayment of promissory notes	9	**-**	(550,000)
Proceeds from debenture units, net of closing costs	10	**2,165,645**	1,316,964
Repayment of lease obligation	7	**(572,810)**	(344,560)
Proceeds from private placement offering, net of share issuance costs	11(a)	**1,467,295**	3,136,334
Proceeds from exercise of warrants	11(b)	**258,299**	-
Repayment of debentures	10	**(810,000)**	-
		2,313,680	6,438,759
Net change in cash during the year		**41,389**	(465,634)
Cash, beginning of year		**345,950**	811,584
Cash, end of year		**387,339**	345,950
Supplemental cash flow information			
Non-cash settlement of related party payable		**208,084**	116,727
Interest paid		**788,908**	449,073

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

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 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 $6,600,347 for the year ended December 31, 2023 and as of that date has an accumulated deficit of $72,974,444. To date, the Company has funded operations through a credit facility provided by a Canadian schedule 1 bank (Note 9), debentures (Note 10) and private equity offerings (Note 11). The Company was not in compliance with the covenants of the credit facility as of the date of these financial statements. 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. The current extension letter from the bank sets out May 31, 2024 as the date for the credit facility to be repaid or refinanced. As of the date of issuance of these financial statements, the Company has not repaid or refinanced the credit facility. There is no certainty additional financing will be available to the Company on favorable terms, or at all. 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 financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

2. Material accounting policies

(a) Statement of compliance

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS") and the interpretations of the International Financial Reporting Interpretations Committee as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved by the Board of Directors and authorized for issuance on June 5, 2024.

(b) Basis of presentation

The financial statements are prepared on a going concern basis using historical cost except as otherwise noted in the accounting policies below. Historical cost is generally based on the fair value of the consideration provided in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payments, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets. The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The principal accounting policies adopted are set out below:

2. Material accounting policies (cont'd)

(c) Revenue recognition

The Company recognizes revenue when it transfers control to a customer.
Revenue is recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods and services. This is achieved by applying the following five steps:

(i) identify the contract with a customer;
(ii) identify the performance obligations in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract; and
(v) recognize revenue when (or as) the Company satisfies a performance obligation

The Company principally generates revenue from providing services to its customer’s employees (the “participants”). Products and services are not typically sold separately but are bundled in packages. The typical length of a contract for bundled packages is two years or more. The Company bills its customers on a monthly basis. Cash refunds are not offered.

For bundled packages, the Company accounts for individual products and services separately if they are distinct (i.e. if a product or service is separately identifiable from other items bundled in the package and if a customer can benefit from the other items, either on their own or together, with other resources that are readily available to the customer). The transaction price is allocated between separate products and services in a bundle based on their stand-alone selling prices. As the Company does not sell products and services separately, the Company estimates the stand-alone selling prices using the adjusted market assessment approach.

Welcome kits

Welcome kits contain measurement and communication tools, such as genetic testing kits, smart scales and starter guides that aid in the delivery of promised services to participants. Revenue is recognized when items in the welcome kit are delivered and control has passed to the participant.

The Company offers no returns or warranties of any kind.

Engaged participant fees

Engaged participant fees are charged to the customers when a participant is deemed to be engaged in the program based on criteria as defined in the contract. This revenue is recognized when the engagement criteria is met by the participant, and as the benefits of the health coaching services are received over a distinct period of time.

Success fees

Success fees are one-time fees paid by customers upon the achievement of certain target metrics normally measured after the first year of a participant's active enrolment in the Company's program. The Company includes in revenue success fees based on the most likely amount. The Company estimates success fees based on participant data collected on existing and similar customer contracts, however participant outcomes can vary depending on geographical location and industry. Estimates of success fees are also subject to predictions with respect to participant weight loss. Success fees are recorded when there is a low probability of there being a significant reversal of revenue.

Outcome guarantee fees

Certain customer contracts contain outcome guarantee fees where the Company refunds a portion of previously earned engaged participant fees if certain target metrics are not met. The Company estimates outcome guarantee refunds based on participant data collected on existing and similar customer contracts, however, participant outcomes can vary depending on geographical location and industry. Estimates of outcome guarantees are also subject to predictions with respect to participant weight loss.

Customer incentives and discounts

2. Material accounting policies (cont'd)

The Company may offer other discount programs and incentives for the purchase of certain products and services by customers. The Company estimates the amount of such discounts and specific terms of each program. Revenue is recorded net of these amounts and the estimated amounts of such discounts and incentives is included in the Company's contract liability.

The Company recognizes contract assets or contract liabilities with respect to its success fees, guarantee fees and other allocations relating to the sale of its bundled products. The Company accounts 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).

The Company incurs no contract costs.

(d) Cost of revenue

Cost of sales consists of the cost of Welcome Kits sold to new participants, the labour costs associated with the coaching team and amortization of intangible asset.

(e) Financial assets and liabilities

Financial assets and liabilities are initially measured at fair value. Subsequent measurement of these assets and liabilities is based on their classification.

Transaction costs that are directly attributable to the acquisition of financial assets and issue of financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or issue of financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Company classifies its financial assets and liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) and ii) those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For financial assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

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

2. Material accounting policies (cont'd)

The Company has implemented the following classifications:

Financial Instrument	Classification	Measurement
Financial assets		
Cash	Amortized cost	Amortized cost
Trade and other receivables	Amortized cost	Amortized cost
Financial liabilities		
Trade and other payables	Amortized cost	Amortized cost
Credit facility	Amortized cost	Amortized cost
Debentures	Amortized cost	Amortized cost
Lease obligations	Amortized cost	Amortized cost

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of the subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition).

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss has occurred on an unquoted or not actively traded equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate.

For financial assets carried at amortized cost, the Company recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. The Company recognizes expected credit losses for trade and other receivables under the simplified approach under IFRS 9 Financial Instruments. The simplified approach does not require the Company to track changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses. Expected credit losses are probability-weighed estimate of credit losses. Credit losses are measured at the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. Expected credit losses are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

Objective evidence of impairment of financial assets carried at amortized cost exists if the counterparty is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counterparty that would not normally be granted, or it is probable the counterparty will enter into bankruptcy or a financial reorganization.

(f) Compound financial instruments

<u>Debentures</u>

The liability and equity components of debentures are presented separately on the statement of financial position. Where there is both liability and equity components, the Company determines the carrying amount of the financial liability by discounting the stream of future payments at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows. The liability component is then increased by accretion of the discounted amounts to reach the face value of the debentures at maturity. Accretion is included in the statements of loss and comprehensive loss as part of interest and accretion expense. The carrying amount of the

2. Material accounting policies (cont'd)

equity component is calculated by deducting the carrying amount of the financial liability from the amount of the debentures and is included in Equity. The equity component is not remeasured subsequent to initial recognition. The transaction costs are distributed between liability and equity, on a pro rata basis according to their carrying amounts.

(g) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired or whenever events/change in circumstances indicate that the carrying amount of the asset exceeds the recoverable amount. A non-financial asset’s recoverable amount is the higher of the assets’ or the cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss for the period in which they are identified.

(h) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss, except when it relates to items recognized directly in equity or other comprehensive income.

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

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss and comprehensive loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the tax assets to be realized.

(i) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Items are amortized using the straight-line method over their estimated useful lives as follows:

Office equipment	5 years
Computer hardware	3 to 5 years
Computer software	1 year

When components of an asset have a different useful life and cost that is significant to the total cost of the asset, depreciation is calculated on each separate component. Estimated useful lives, residual values and methods of deprecation are reviewed annually.

(j) Intangible assets

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Intangibles consist of the purchase and customization of a new customer relationship management (CRM) platform and the development of integrated web and mobile applications. In November 2022, the new CRM platform was

2. Material accounting policies (cont'd)

ready for use and the Company commenced amortization of the CRM platform over its estimated useful life of four years. In December 2023 the Company recorded an impairment loss of the intangible asset (see note 8).

(k) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less selling costs. The cost of inventories is based on a first-in, first-out principle.

(l) Share capital

Incremental costs directly attributable to the issuance of common shares are recognized as a reduction of share capital. Where common share purchase warrants are offered in connection with issues of common shares, the Company uses the Black-Scholes option pricing model to apportion the fair value of consideration received between common shares and common share purchase warrants.

(m) Share-based compensation

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The assumptions and models used for estimating fair value for share-based compensation transactions are disclosed in Note 15.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in contributed surplus. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the service.

(n) Earnings and loss per share

Basic earnings and loss per common share are calculated by dividing the earnings or loss by the weighted average number of common shares outstanding during the year. Diluted earnings per common share are calculated by dividing the applicable earnings by the weighted average number of common shares outstanding adjusted for all additional shares that would have been outstanding if potentially dilutive common securities had been issued during the year.

(o) Provisions

Provisions are recognized when present (legal or constructive) obligations, as a result of a past event, will lead to a probable outflow of economic resources and amounts can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered remote, no liability is recognized.

(p) Foreign currency translation

2. Material accounting policies (cont'd)

Foreign currency denominated revenues and expenses are translated using the average rate of exchange of the transaction month. Foreign currency denominated monetary assets and liabilities are translated at the rate of exchange in effect at the statement of financial position date. The resulting exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(q) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control over the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost which comprises of the lease liability, lease payments made at or before the commencement date, initial indirect costs and asset retirement obligations, less any lease incentives. The right-of-use asset is subsequently measured at cost less accumulated amortization and impairment losses. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits for the Company.

The lease liability is initially measured at the present value of the future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The Company has elected to not apply IFRS 16 Leases for short-term leases that are 12 months or less and for leases of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(*r*) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

(s) Future accounting policies

<u>New and Revised IFRS Standards issued but not yet effective</u>

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to clarify the requirements for classifying liabilities as current or non-current. The amendments clarify the classification of liabilities as current or non-current based on rights that are in existence at the end of the reporting period and are unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments also clarify the definition of "settlement" of a liability. The amendments are effective January 1, 2024, with early adoption permitted. The amendments are to be applied retrospectively. Management does not expect any material impact to the Company’s financial statements upon adoption of these amendments.

In October 2022, the IASB issued amendments to IAS 1 – Presentation of Financial Statements, which specifies that covenants whose compliance is assessed after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require disclosure of information about these covenants in the notes to the financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. Management does not expect any material impact to the Company’s financial statements upon adoption of these amendments.

(Expressed in Canadian Dollars)

3. Critical judgments and key sources of estimation uncertainty

The preparation of these financial statements requires management to make estimates based on events and circumstances that existed at the statement of financial position date. Accordingly, actual results may differ from these estimates. Significant estimates and judgements made by management with a significant risk of material adjustment in the current year are discussed below:

- the amount of deferred tax assets recognized to the extent that it is probable that there will be sufficient taxable income to realize the tax assets;
- the analysis of historical bad debts and the judgement used to predict future economic conditions when estimating expected credit losses;
- Impairment of assets and related assumptions of the future cash flows from the use or disposal of the assets as compared with their carrying amounts
- the inputs and assumptions used in the allocation of the transaction price for bundled products and services;
- the assessment of the nature, amount of costs capitalized and useful life of intangible asset;
- the assessment of Company's ability to continue as going concern
- the inputs and assumptions used with respect to determining success fees;
- the inputs and assumptions used with respect to determining outcome guarantee fees;
- the inputs and assumptions used in the valuation and recognition of share-based payments;
- the inputs and assumptions used in the valuation and recognition of other discounts and incentives;

4. Trade and other receivables

Trade and other receivables as at December 31, 2023 and 2022 are comprised of the following:

	2023	2022
	$	$
Trade receivables	**1,334,260**	1,491,664
Indirect taxes receivable	**66,699**	65,976
	1,400,959	1,557,640

Trade receivables include amounts that are past due at the end of the reporting period (see the table below for aged analysis). The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9 Financial Instruments, which permits the use of the lifetime expected loss provision for all trade receivables. The Company has estimated and set its expected credit losses for the years ended December 31, 2023 and 2022 at nil based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate. The Company reviews its trade receivables regularly and reduces amounts to their expected realizable values by providing for expected credit losses as soon as the trade receivables are determined not to be fully collectible.

	2023	2022
	$	$
Trade receivables		
Current	**1,099,470**	1,466,250
31-60 days	**234,790**	19,409
61-90 days	**-**	6,005
	1,334,260	1,491,664

(Expressed in Canadian Dollars)

5. Inventories

Inventories recognized as cost of sales for the year ended December 31, 2023 amounted to $645,496 ($781,113 for the year ended December 31, 2022).

6. Property and equipment

	Office Equipment	Computer Hardware	Total
	$	$	$
Cost			
Balance, January 1, 2022	82,327	344,688	427,015
Additions	-	3,826	3,826
Disposals	(82,327)	-	(82,327)
Balance, December 31, 2022	-	348,514	348,514
Additions	1,449	1,099	2,548
Balance, December 31, 2023	**1,449**	**349,613**	**351,062**
Accumulated depreciation			
Balance, January 1, 2022	56,980	303,888	360,868
Depreciation	9,813	36,574	46,387
Disposals	(66,793)	-	(66,793)
Balance, December 31, 2022	-	340,462	340,462
Depreciation	73	5,862	5,935
Balance, December 31, 2023	**73**	**346,324**	**346,397**
Carrying amounts			
At December 31, 2022	-	8,052	8,052
At December 31, 2023	**1,376**	**3,289**	**4,665**

7. Right-of-use asset and lease liability

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

	Office
	$
Balance, January 1, 2022	**369,538**
Amortization	(169,370)
Impairment of right-of-use asset	(200,168)
Balance, December 31, 2022 and 2023	**-**

(Expressed in Canadian Dollars)

7. Right-of- use asset and lease liability (cont'd)

The following is a schedule of right-of-use assets under the finance lease together with the balance of the obligations:

	$
Balance, January 1, 2022	**667,556**
Interest expense	70,797
Payments	(344,560)
Lease modification	150,907
Balance, December 31, 2022	**544,700**
Interest expense	28,110
Payments	(572,810)
Balance, December 31, 2023	**-**

	December 31, 2023	December 31, 2022
	$	**$**
Amounts shown in:		
Current liabilities	**-**	544,700
Non-current liabilities	**-**	-
	-	544,700

The undiscounted lease payments remaining are as follows:

	December 31, 2023	December 31, 2022
	$	$
No later than 1 year	**-**	392,591
Later than 1 year, but no later than 5 years	**-**	-
	-	392,591

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.

8. Intangible asset

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

(Expressed in Canadian Dollars)

9. Credit Facility (cont'd)

	$
Cost	
Balance, January 1, 2022	**2,251,852**
Additions	985,349
Capitalized borrowing costs	67,000
Balance, December 31, 2022 and 2023	**3,304,201**
Accumulated amortization	
Balance, January 1, 2022	**-**
Amortization	68,838
Balance, December 31, 2022	**68,838**
Amortization	826,049
Impairment	2,409,314
Balance, December 31, 2023	**3,304,201**
Carrying amounts	
At December 31, 2022	3,235,363
At December 31, 2023	**-**

At the December 31, 2023 year end, the Company performed an impairment test of the intangible asset in accordance with IAS 36 - Impairment of assets. Given that the Company's internal plan of generating revenue from the intangible asset remained on hold due to cost cutting efforts in order to achieve positive cash flows from operations, and the Company's external licensing plan was still under negotiations with potential business partners, the Company's management concluded that the carrying amount of the intangible asset as at December 31, 2023 should be fully impaired until the business plans are in a more advanced stage or materialized, at which point the impairment may possibly be reversed in whole or in part. The impairment loss of $2,409,314 is included in the operating expenses of the Statements of Loss and Comprehensive Loss for the year ended December 31, 2023.

9. 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 may 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 covers 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 "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 the December 4, 2022 and December 4, 2025. The fair value of the 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 Warrants within equity

9. Credit Facility (cont'd)

with the value of the Warrants being treated as a transaction cost and deferred and amortized over the term of the Facility. The Warrants expired unexercised on December 4, 2022.

During the year ended December 31, 2023, the Company incurred cash guarantee fees of $57,410 (year ended December 31, 2022 - $141,955). As the Facility can be drawn upon and then repaid by the Company repeatedly throughout the term, the guarantee fees 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 guarantee fees over the Guarantee Periods regardless of whether there have been any draw-downs by the Company.

During the year ended December 31, 2023, the Company recorded amortization of the deferred guarantee fees of $59,300 in the Statements of Loss and Comprehensive Loss (December 31, 2022 - $196,788).

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 10(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 was not in compliance with the runway ratio and liquidity covenants. 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. Until the conditions are met, the maximum credit on the Facility will be capped at $4,880,760. Any injection in the form of debt financing would be fully subordinated to the bank's Facility. On October 26, 2022 and November 9, 2022, the Company issued $300,000 and $250,000 in subordinated 12% promissory notes, respectively, for an aggregate issuance of $550,000, including $50,000 provided by a director of the Company. On December 15, 2022, the Company repaid the promissory notes and issued subordinated 13% secured non-convertible debenture units for gross proceeds of CAD$1,350,000 (see Note 10(d)) which includes $400,000 from the holders of the promissory notes.

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 closed a non-brokered offering of subordinated and postponed 13% secured non-convertible debenture units for gross proceeds of $1,500,000 (See Note 10(c)).

On January 11, 2024, the Bank issued a letter to the Company maintaining the existing loan facilities until May 31, 2024. The Facility shall be subject to the agreement by the Company to the following: i) the Company is to provide evidence by February 15, 2024 of its intention to raise capital of no less than $500,000 by February 29, 2024, ii) the Company is to provide evidence of refinance from a third-party lender by March 31, 2024, and present a binding commitment to the Bank by April 30, 2024.. Subsequent to the year ended December 31, 2023, on February 29, 2024, the Company raised a capital of $746,500 (See Note 23). As of the date of issuance of these financial statements, the Company has not repaid or refinanced the credit facility.

(Expressed in Canadian Dollars)

10. Debentures (cont'd)

As of December 31, 2023, $4,767,006 was outstanding on the Facility. Interest expense for the year ended December 31, 2023 was $439,066 (year ended December 31, 2022 - $245,473).

10. Debentures

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

	8% (a)	12% (a)	12% (b)	13% (c)	13% (d)	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
Payment	(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	-	1,671,072	723,369	1,302,584	-	3,697,025
Interest and accretion	307,071	82,402	38,487	176,248	303,942	908,150
Payment	(967,900)	(11,567)	-	(48,750)	(131,625)	(1,159,842)
Loans extinguished (10)(a)	(1,735,000)	-	-	-	-	(1,735,000)
Loans modification (10)(a)	(6,380)	(63,928)	-	-	-	(70,308)
Loan modification transaction costs (10)(a)	(6,894)	-	-	-	-	(6,894)
Balance, December 31, 2023	**-**	**1,677,979**	**761,856**	**1,430,082**	**1,241,089**	**5,111,006**
Current portion	2,409,103	-	-	-	-	2,409,103
Non-current portion	-	-	-	-	1,068,772	1,068,772
Balance, December 31, 2022	2,409,103	-	-	-	1,068,772	3,477,875
Current portion	-	**1,677,979**	**761,856**	**42,606**	**1,241,089**	**3,723,530**
Non-current portion	-	-	-	**1,387,476**	**-**	**1,387,476**
Balance, December 31, 2023	-	**1,677,979**	**761,856**	**1,430,082**	**1,241,089**	**5,111,006**

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

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

10. Debentures (cont'd)

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 agreed to the amendments received, 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 1,508,682 Bonus Amendment Shares were issued to the holders of the $1,735,000 Amendment Debentures.

The Company paid the holders of the Amendment Debentures an annual work and credit maintenance fee of $34,700 (2% of the principal) amount in cash on November 15, 2023. During the year ended December 31, 2023, the Company recorded amortization of deferred maintenance fees related to the Amendment Debentures in the Statements of Loss and Comprehensive Loss of $10,121. As at December 31, 2023, the balance of unamortized maintenance fee payment was $24,579.

The Company considers the issuance of the Bonus Amendment Shares to be a substantial modification to the original loan. Under IFRS 9 Financial Instruments, $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 $15,336 were recognized as a loss on the extinguishment of debentures on the Statements of Loss and Comprehensive Loss. Based on this calculation, the amount allocated to host debt was $1,671,072 ("the new liability") and the residual equity component was $63,928. 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 year ended December 31, 2023 were $30,352. This amount is added to the liability component on the Statements of Financial Position and is included in accretion expense on the Statements of Loss and Comprehensive Loss.

In addition to the above amendments to the 8% Debentures, $780,000 of the $2,545,000 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 to repay any of the 8% Debentures that do not agree to the amendments provided under the Amendment Debentures (see Note 10(b)). The one-month extension is considered to be a non-substantial modification of the original loan and as per IFRS 9 Financial Instruments, 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 a fair value of $773,620 with a modification adjustment of $6,380 recognized in the Statements of Loss and Comprehensive Loss. Accretion charges attributable to the extended debentures for the year ended December 31, 2023 were $13,276. This amount is added to the liability component on the Statements of Financial Position and is included in accretion expense on the Statements of Loss and Comprehensive Loss.

On September 15, 2023, the Company repaid $30,000 of the $2,545,000 8% Debentures that matured on September 15, 2023. On October 15, 2023 the Company repaid the $780,000.

(b) September and October 2023 offering of 12% secured non-convertible replacement debentures

10. Debentures (cont'd)

On September 11, 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 Replacement Units may be issued pursuant to the Replacement Offering. Each Replacement 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 the 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 Replacement 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 (i) 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 (ii) 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 September 29, 2025.

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 330,424 Bonus Replacement Shares were issued in connection with the closing of the first tranche.

The Company paid to the holders of the Replacement Debentures a work and credit maintenance fee of $7,600 (2% of the principal amount) in cash. The Company deferred and amortized the maintenance fee over the date the fee is due to the maturity date. During the year ended December 31, 2023, the Company recorded amortization of deferred maintenance fees in the Statements of Loss and Comprehensive Loss of $1,900. As at December 31, 2023, the balance of unamortized maintenance fee was $5,700.

Finders acting in connection with the Replacement Offering received a finder's fee in the total amount of $22,800 and 198,260 non-transferable Replacement Compensation Options. Fair value of the Replacement Compensation Options of $14,651 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 4.87%, expected volatility of 147.55% and expected life of 2 years. The Company also incurred other transaction costs of $3,359 in connection with the first tranche of the Replacement Offering, resulting in a total transaction cost of $40,810.

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 principal amount net of transaction cost that is allocated to the

10. Debentures (cont'd)

host debt was $323,890 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 first tranche of Replacement Debentures for the year ended December 31, 2023 were $12,436.

On October 13, 2023, the Company closed the second and final tranche of the Replacement Units for gross proceeds of $425,000. The Replacement Debentures will mature on October 13, 2024. An aggregate of 369,565 Bonus Replacement Shares were issued in connection with the closing of the final tranche.

The Company paid to the holders of the Replacement Debentures a work and credit maintenance fee of $8,500 (2% of the principal amount) in cash on December 12, 2023. The Company deferred and amortized the maintenance fee over the period the fee is due to the maturity date. During the year ended December 31, 2023, the Company recorded amortization of deferred maintenance fees in the Statements of Loss and Comprehensive Loss of $1,771. As at December 31, 2023, the balance of unamortized maintenance fee was $6,729.

Certain finders acting in connection with the offering received a finder's cash fee in the aggregate amount of $1,800 and 15,652 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 in accordance with the terms of the offering. Each Replacement Compensation Option is exercisable into one common share of the Company at $0.10 per share, subject to adjustments in certain events, until September 29, 2025. Fair value of the Replacement Compensation Options of $1,093 was estimated at the closing date using the Black-Scholes option pricing model with the following assumptions: stock price of $0.1, risk-free interest rate of 4.85%, expected volatility of 147.76% and expected life of 2 years. The Company also incurred transactions costs of $3,757, resulting in a total transactions cost of $6,650.

Based on calculation that is similar to the first tranche of the Replacement Offering, at inception of this final tranche the principal amount net of transactions cost that is allocated to the host debt was $399,479 and the residual equity component was $18,871. The prepayment option was determined to be closely related and its value was determined to be not material. Accretion charges attributable to the final tranche of Replacement Debentures for the year ended December 31, 2023 were $1,901.

(c) 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 July 2023 Debentures purchased divided by $0.065, being the closing market price of the common shares of the Company on June 29, 2023, (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 2023 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 July 2023 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 deferred and amortized the maintenance fee over the date the fee is due to the maturity date. During the year ended December 31, 2023, the Company recorded amortization of deferred maintenance fees in the Statements of Loss and Comprehensive Loss of $13,750. As at December 31, 2023, the balance of unamortized maintenance fee was $16,250.

Certain finders acting in connection with the Offering received a finder’s cash fee in the aggregate 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 the July 2023 Debentures purchased by subscribers that were introduced to the Company by each such finder divided by $0.065, being the

10. Debentures (cont'd)

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. Fair value of the July 2023 Compensation Option of $44,031 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 Company incurred $27,210 in additional closing costs, resulting in a total transactions cost of $129,441.

At inception, the Company used the residual value method to allocate the principal amount of the July 2023 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 July 2023 Debentures comprises the value of the Bonus Replacement Shares, being the 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 principal amount net of transactions cost that is allocated to host debt was $1,302,584 and the residual equity component was $67,975. 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 year ended December 31, 2023 were $84,892, This amount is added to the liability component on the Statements of Financial Position and is included in accretion expense on the Statements of Loss and Comprehensive Loss.

(d) 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 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 year ended December 31, 2023, the Company recorded amortization of deferred maintenance fees related to the December 2022 Debentures in the Statements of Loss and Comprehensive Loss of $27,000 (year ended December 31, 2022 - $nil).

At inception, the Company used the residual value method to allocate the principal amount of the December 2022

(Expressed in Canadian Dollars)

10. Debentures (cont'd)

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 $33,036 were proportionally allocated between the host debt and the equity component based on their relative fair values. Based on this calculation, the principal amount net of transaction costs that is allocated to host debt was $1,056,357 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 year ended December 31, 2023 were $128,443 (year ended December 31, 2022 - $12,415l). This amount is added to the liability component on the Statements of Financial Position and is included in accretion expense on the Statements of Loss and Comprehensive Loss.

11. Equity

(a) Common shares, issued and outstanding

	Number of Shares	Amount
		$
Balance, January 1, 2022	**100,492,786**	**45,177,120**
Shares issued in private placement offering *(i)*	17,500,000	2,624,495
Compensation options issued to brokers *(i)*	-	(83,230)
Shares issued on issuance of 13% Debenture Units *(Note 10(d))*	8,999,990	260,607
Balance, December 31, 2022	**126,992,776**	**47,978,992**
Private placement, net of issuance costs *(ii)*	21,928,000	930,218
Compensation options issued to brokers *(ii)*	-	(26,443)
Bonus Amendment Shares (Note 10(a))	1,508,682	78,262
Bonus Replacement Shares (Note 10(b))	699,989	34,171
Bonus shares issued on July 2023 Offering (Note 10(c))	4,615,366	91,331
Exercise of warrants	2,590,490	318,065
Balance, December 31, 2023	**158,335,303**	**49,404,596**

Private placement offerings

(i) On April 29, 2022, the Company closed a brokered private placement offering of 16,950,000 units of the Company (the “Units”) at a price of $0.20 per Unit (the “Offering Price”) for aggregate gross proceeds of $3,390,000 (the “Brokered Offering”). Each Unit is comprised of one common share in the capital of the Company (each a “Common Share”) 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

11. Equity (cont'd)

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 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 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.

(ii) 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 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.

(b) Warrants

(Expressed in Canadian Dollars)

11. Equity (cont'd)

The following table is a summary of the activities of the Company's warrants:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance, January 1, 2022	**16,895,510**	**0.89**
Unit Warrants issued on private placement *(Note 11(a)(i)*)	8,750,000	0.30
Broker warrants issued on private placement *(Note 11(a)(i)*)	904,050	0.20
Warrants expired	(12,745,454)	1.07
Balance, December 31, 2022	**13,804,106**	**0.31**
A Warrants issued on private placement offering of Units *(Note 11(a)(ii))*	10,964,000	0.10
B Warrants issued on private placement offering of Units *(Note 11(a)(ii))*	10,964,000	0.15
Private placement offering of March 2023 Units, compensation options *(Note 11(a)(ii))*	595,021	0.07
Private placement offering of Replacement Units, compensation options *(Note 10(b))*	198,260	0.115
Private placement offering of July 2023 Debenture Units, compensation options *(Note 10(c))*	872,307	0.065
Private placement offering of October 2023 Debenture Units, compensation options *(Note 10(b))*	15,652	0.115
Warrants exercised	(2,590,490)	0.10
Warrants expired	(10,548,566)	0.22
Balance, December 31, 2023	**24,274,290**	**0.188**

The following table is a summary of the warrants outstanding as at December 31, 2023:

Expiry date	Exercise Price	Number of Warrants
	$	
April 2024 (Note (11)(a)(i)	0.30	8,750,000
April 2024 (Note (11)(a)(i)	0.20	904,050
February 2025	0.0001	2,000,000
March 2025 (Note (11)(a)(ii))	0.15	10,964,000
March 2025 (Note (11)(a)(ii))	0.07	570,021
July 2025 (Note 10(c))	0.065	872,307
September 2025 (Note 10(b))	0.115	198,260
October 2025 (Note 10(b))	0.115	15,652
		24,274,290

(Expressed in Canadian Dollars)

11. Equity (cont'd)

(b) Warrants (cont'd)

The following table is a summary of the warrants outstanding as at December 31, 2022*:*

Expiry date	Exercise Price	Number of Warrants
	$	
May 2023	0.70	1,711,279
September 2023	0.75	438,777
April 2024 *(Note 11(a)(i))*	0.30	8,750,000
April 2024	0.20	904,050
February 2025	0.0001	2,000,000
		13,804,106

During the year ended December 31, 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.

12. Contributed surplus

	2023	2022
	$	$
Stock options	**8,095,819**	7,331,920
Warrants	**6,055,369**	5,529,529
	14,151,188	12,861,449

13. Revenue

The Company has recognized the following amounts relating to revenue in the Statements of Loss and Comprehensive Loss

	2023	2022
	$	$
Engaged participant and variable consideration	**8,628,224**	9,846,357
Welcome kits	**1,155,322**	1,320,071
	9,783,546	11,166,428

(Expressed in Canadian Dollars)

13. Revenue (cont'd)

Below is a summary of contract assets and contract liabilities from contracts with customers and the significant changes in those balances during the years ended December 31, 2022 and December 31, 2023:

	$
Contract asset (liability)	
Balance, January 1, 2022	**(144,034)**
Estimated variable consideration	241,634
Settlement of variable consideration	92,400
Balance, December 31, 2022	**190,000**
Estimated variable consideration	230,318
Settlement of variable consideration	(161,246)
Balance, December 31, 2023	**259,072**

14. Expenses by nature

	2023	2022
	$	$
Cost of sales		
Employee costs	**2,652,659**	3,834,639
Welcome kits	**1,027,180**	1,236,892
Amortization of intangibles *(Note 8)*	**826,049**	68,838
	4,505,888	5,140,369
Technology and development		
Employee costs	**980,498**	1,484,833
Information technology	**911,428**	1,086,404
Research and development	**437,912**	1,352,426
	2,329,837	3,923,663
Sales and marketing		
Employee costs	**1,015,641**	1,571,594
Advertising and promotion	**370,907**	1,149,134
	1,386,548	2,720,728
General and administrative		
Employee costs	**2,377,629**	2,772,384
Corporate expenses	**748,922**	1,632,727
Professional fees	**468,933**	706,193
	3,595,484	5,111,304

(Expressed in Canadian Dollars)

15. 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 are as follows:

	Number of options	Weighted average exercise price
		$
Options outstanding, January 1, 2022	**14,717,615**	**0.52**
Granted during the year	2,446,125	0.22
Expired during the year	(3,700,000)	0.43
Forfeited during the year	(560,191)	0.63
Options outstanding, December 31, 2022	**12,903,549**	**0.49**
Granted during the year	10,850,000	0.11
Expired during the year	(3,530,024)	0.52
Forfeited during the year	(740,702)	0.32
Options outstanding, December 31, 2023	**19,482,823**	**0.27**

A summary of the stock options outstanding as at December 31, 2023 is as follows:

	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
$	#	#	$	#	$
0.15 - 0.20	11,117,806	4.2	0.11	4,289,435	0.12
0.21 - 0.40	2,772,909	2.4	0.26	2,164,941	0.26
0.41 - 0.60	3,288,286	1.6	0.44	3,152,430	0.44
0.61 - 0.85	2,303,822	1.9	0.85	2,303,822	0.85
Balance, December 31, 2023	**19,482,823**	**3.2**	**0.27**	**11,910,628**	**0.37**

(Expressed in Canadian Dollars)

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

A summary of the Company's stock options outstanding as at December 31, 2022 is as follows:

	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
$	#	#	$	#	$
0.18 - 0.20	601,140	4.60	0.20	136,529	0.20
0.21 - 0.40	3,024,439	3.42	0.26	1,568,178	0.27
0.41 - 0.60	6,601,403	1.72	0.48	6,233,891	0.48
0.61 - 0.80	248,571	0.30	0.70	248,571	0.70
0.81 - 1.00	2,427,996	2.88	0.85	1,766,116	0.85
Balance, December 31, 2022	**12,903,549**	**2.44**	**0.49**	**9,953,285**	**0.51**

The Company recognized share-based compensation expense of $555,816 for the year ended December 31, 2023 with a corresponding amount recognized to contributed surplus (year ended December 31, 2022 - $492,720).

The stock options granted during the years ended December 31, 2023 and 2022 were determined using the Black-Scholes pricing model at the assumptions as follows:

	2023	2022
Share price	$0.06 - $0.24	$0.09 - $0.17
Expected volatility	124.19% - 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%

Expected volatility is based on comparable companies listed on various exchanges.

16. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2022 - 26.5%) to the effective tax rate is as follows:

	2023	2022
	$	$
Net loss before recovery of income taxes	**(6,600,347)**	(7,700,463)
Expected income tax recovery	**(1,749,092)**	(2,040,620)
Non-deductible expenses	**3,878**	12,380
Share-based compensation	**147,291**	130,570
Debt modification	**(14,568)**	-
Share issuance costs booked through equity	**97,357**	(53,690)
Change in tax benefits not recognized	**1,515,134**	1,951,360
Income tax expense	**-**	-

(Expressed in Canadian Dollars)

16. Income taxes (cont'd)

Deferred tax

The following table summarizes the components of deferred tax:

	2023	2022
	$	$
Deferred tax assets		
Property and equipment	**-**	1,430
Intangible assets	**-**	490
Lease obligations	**-**	108,620
Non-capital losses	**76,583**	-
	76,583	110,540
Deferred tax liabilities		
Debentures	**(76,583)**	(110,540)
Net deferred tax asset (liability)	**-**	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized deferred tax assets

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	2023	2022
	$	$
Intangible asset	**3,249,730**	-
Lease obligations	**-**	134,790
Share issuance and financing costs	**655,576**	1,445,980
Trade and other payables	**28,600**	76,200
Non-capital loss carryforwards	**58,384,719**	54,912,220
SR&ED Pool	**440,530**	440,530
Charitable donations carryforward	**7,580**	3,890

The Canadian operating loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2028. The charitable donation carryforwards will fully expire in 2027. SRED ITC's of 12,856 will fully expire in 2037. The remaining SRED balance may be carried forward indefinitely. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

(Expressed in Canadian Dollars)

18. Financial Instruments and risk management (cont'd)

The Company's Canadian Non-capital losses expire as follows:

Year of expiry	Amount
	$
2028	139,288
2029	670,630
2030	1,159,044
2031	1,010,140
2032	1,101,026
2033	1,518,463
2034	3,246,424
2035	5,377,420
2036	7,291,879
2037	5,712,297
2038	6,282,672
2039	1,320,327
2040	5,127,863
2041	7,261,343
2042	7,534,959
2043	3,630,944
	58,384,719

17. Loss per share

As a result of losses reported during the years ended December 31, 2023 and 2022, the outstanding stock options and warrants have an anti-dilutive effect and are not included in the computation of diluted loss per share. Consequently, basic and diluted loss per share are the same.

18. Financial instruments and risk management

Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks including foreign currency risk, credit risk and liquidity risk. These financial risks are actively managed by the Company under the policies approved by the Board of Directors. The principal financial risks are managed by the Company's finance department, within Board approved policies and guidelines. On an ongoing basis, the finance department actively manages market conditions with a view to minimizing the exposure of the Company to changing market factors, while at the same time limiting the funding costs to the Company.

Fair value

The fair value of cash, trade receivables, trade and other payables, credit facility and debentures approximate their carrying values due to their short-term nature and the market interest rates have not changed significantly since the issuance of debentures.

Basis of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics

18. Financial Instruments and risk management (cont'd)

into account when pricing the asset or liability at the measurement date.

(a) Fair value hierarchy

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There have been no transfers between levels during the year ended December 31, 2023.

As at December 31, 2023, there are no financial instruments carried at fair value.

Credit risk

Credit risk is the risk of financial loss to the Company that arises from the possibility that the Company's customers may experience financial difficulty and be unable to fulfil their contract commitments. The Company mitigates the risk of credit loss by entering into contracts with large and established customers and by placing its cash with major financial institutions.

The carrying value of cash and trade and other receivables represents the Company's maximum credit exposure. Expected credit losses on trade and other receivables in profit or loss were nil (December 31, 2022: $Nil).

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which its customers operate (see segment details in Note 22). A customer is considered to be in default when they are unable to fulfil their contractual commitments and make the required payments on their debt obligations. Given the customer base is comprised of large established corporations, customer balances are also considered to be in default when they are more than 90 days past due. Details of concentration of revenue are included in Note 20. The gross carrying amount of a trade receivable is written off when the Company has no reasonable expectations of recovering the balance in its entirety or a portion thereof. The Company makes an assessment on a customer by customer basis with respect to the timing and amount of write-off based on the specific circumstances of the customer and determines the amount to write-off based on whether there is reasonable expectation of recovery.

Management has established a credit policy under which each new customer is analyzed individually for creditworthiness. The majority of the Company's current customers are large established corporations with high credit quality consisting primarily of U.S. healthcare insurance payors or self-insured employers. The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 1-2 months. When determining whether there is an increase in credit risk of any of its trade receivables, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information that includes forward-looking information. At December 31, 2023 and 2022, none of these customer's balances have been written off or are credit impaired at the reporting date. There has been no change to the Company's policies and processes with respect to the way it manages credit risk.

The Company does not require collateral in respect of trade and other receivables. The Company does not have trade receivable and contract assets for which no loss allowance is recognized because of collateral.

18. Financial Instruments and risk management (cont'd)

At December 31, 2023 and 2022, the exposure to credit risk for trade receivables was limited to the United States (see segment information in Note 22). At December 31, 2023, two customers whose trade receivables exceeded 10% of the total trade and other receivables balance represented 89% (December 31, 2022 – 89%) of the Company's trade and other receivables.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate based on the changes in foreign exchange rates. The Company enters into transactions to purchase and sell goods denominated in foreign currencies, which relate to revenues, cost of revenue, expenses, cash, accounts receivable and accounts payable balances. Balances are subject to rate fluctuations.

As at December 31, 2023 and 2022, the following items were denominated in foreign currency:

	2023	2022
	$	$
Balances (U.S. Dollars)		
Cash	**292,861**	255,426
Trade and other receivables	**997,032**	1,008,451
Trade and other payables	**360,208**	590,667

The following table demonstrates the sensitivity to a reasonably possible change in the U.S. dollar exchange rate, with all other variables held constant, on the translation of the Company's foreign currency denominated monetary assets and liabilities as at December 31, 2023 and 2022.

	Change in U.S. rate	Effect on loss before taxes in CAD
		$
2023	**10%**	**122,960**
	-10%	**(122,960)**
2022	10%	91,180
	-10%	(91,180)

Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. There has been no change to the Company's policies and processes with respect to the way it manages liquidity risk.

(Expressed in Canadian Dollars)

18. Financial Instruments and risk management (cont'd)

The following are the contractual maturities of the financial liabilities as at December 31, 2023:

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
	$	$	$	$	$
Trade and other payables	1,825,356	1,825,356	-	-	-
Credit facility	4,767,006	4,767,006	-	-	-
Debentures	5,390,000	3,890,000	1,500,000	-	-
	11,982,362	10,482,362	1,500,000	-	-

19. Capital management

Newtopia defines capital as its equity/deficit and debentures. The Company's capital as at December 31, 2023 is a net deficit of $4,307,654 (December 31, 2022 - net deficit of $2,055,781). The Company's objective when managing its capital is (i) to safeguard the ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders; and (ii) to provide adequate return to shareholders by obtaining an appropriate amount of financing with the level of risk, to reduce after-tax cost of capital.

The Company sets the amount of its capital in proportion to its risk. Newtopia manages its capital structure and makes adjustments in light of changes in economic conditions and the characteristics of risk of underlying assets. In order to maintain or adjust capital structure, the Company may attempt to issue new shares or sell assets to reduce its obligations. The Company's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. There have been no changes to the Company's capital management policies during the years ended December 31, 2023 and 2022.

The Company is subject to certain financial covenants on its loan facility which have not been met at December 31, 2023 (Note 9). There has been no change to the Company's policies and processes with respect to the way it manages capital.

20. Economic dependence

During the year ended December 31, 2023, two customers whose services and product revenues exceeded 10% of the total revenue balance represented 89% of the Company's revenue (December 31, 2022 - 84%). (see note 23 Events after year end)

21. Related party transactions and balances

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 year consisted of the following:

	2023	2022
	$	$
Salaries, fees and short-term benefits	**2,956,237**	3,338,994
Share-based benefits	**528,821**	526,019
	3,485,058	3,865,013

21. Related party transactions and balances (cont'd)

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 of $33,125 and year ended December 31, 2023 of $165,625. Each option vests quarterly over one year and is exercisable at a price of $0.105 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: grant date share price $0.12, risk free interest rate 3.16%, expected life of 5 years and expected volatility of 124.19%. Amortization of the fair value of the above stock options during the year ended December 31, 2023 of $186,025 was applied against the directors fees 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 year ended December 31, 2023 of $17,935 together with amortization of $36,454 in last fiscal year was applied against the above-mentioned $57,500. 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 $59,048 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 the year ended December 31, 2023 of $4,124 together with the amortization of $54,923 in last fiscal year was applied against the above-mentioned $66,250. 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 December 31, 2023, aggregate bonuses payable to members of the Company's executive team was $133,600 (December 31, 2022 - $196,100).

22. Segment information

In measuring performance, the Company does not distinguish or group its operations on a geographical or any other basis and accordingly has a single operating segment. Management has applied judgment by aggregating its operating segments into one single reportable segment for disclosure purposes. Such judgment considers the nature of the operations, the customer mix and an expectation that the operating segments within a reportable segment have similar long-term economic characteristics. Substantially all of the Company's long-lived assets are located in Canada and its revenue is earned primarily in the US.

23. Events after year end

On February 29, 2024 the Company closed a brokered private placement offering of 14,430,000 units of the Company at a price of $0.05 per unit for aggregate gross proceeds of $721,500. Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share of the Company at an exercise price of $0.10 per common share, subject to adjustments in certain events, until March 1, 2027. The Company also concurrently closed a non-brokered private placement of 500,000 units for gross proceeds of $25,000 on the same terms as the above-mentioned brokered private placement offering.

In March 2024 a client informed the Company that they have decided to stop providing our program to their employees effective June 1, 2024. During the twelve months ended December 31, 2023, revenue from the client was $2,999,310.