



## **Legible Inc.**

### **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended September 30, 2024, and 2023

(Expressed in Canadian dollars)



## **NOTICE TO READER**

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditors.

# Legible Inc.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2024

(Expressed in Canadian dollars)

		September 30, 2024 \$	(Audited) December 31, 2023 \$
<b>Assets</b>			
	Note		
<b>Current assets</b>			
Cash and cash equivalents		274,978	74,831
Amounts receivable		-	2,864
Prepaid expenses	3	20,394	63,427
<b>Total current assets</b>		<b>295,372</b>	<b>141,122</b>
<b>Total assets</b>		<b>295,372</b>	<b>141,122</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		2,298,968	2,099,254
Credit facility	4	585,756	446,610
Loans payable	5	658,864	450,279
Due to related parties	8	44,232	11,130
Current portion of convertible debentures	6	119,068	-
Deferred revenue		166	1,152
<b>Total current liabilities</b>		<b>3,707,054</b>	<b>3,008,425</b>
<b>Non-current liabilities</b>			
Convertible debentures	6	2,126,169	99,933
<b>Total non-current liabilities</b>		<b>2,126,169</b>	<b>99,933</b>
<b>Total liabilities</b>		<b>5,833,223</b>	<b>3,108,358</b>
<b>Shareholders' deficiency</b>			
Share capital	7	21,424,376	20,956,541
Shares to be issued		120,000	120,000
Reserves		3,387,425	3,296,856
Equity component of convertible debentures		128,577	24,511
Deficit		(30,598,229)	(27,365,144)
<b>Total shareholders' deficiency</b>		<b>(5,537,851)</b>	<b>(2,967,236)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>295,372</b>	<b>141,122</b>

Basis of preparation and going concern (note 2)

Subsequent events (note 12)

Approved and authorized for issue by the Board of Directors on November 29, 2024:

"David Van Seters"

Director

"Shannon Kaustinen"

Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# Legible Inc.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars)

	Three months ended September 30, 2024 \$	Three months ended September 30, 2023 \$	Nine Months Ended September 30, 2024 \$	Nine Months Ended September 30, 2023 \$
	Note			
<b>Revenue</b>	<b>23,111</b>	10,356	<b>52,280</b>	39,291
<b>Cost of sales</b>	<b>15,976</b>	7,495	<b>35,918</b>	27,689
<b>Gross margin</b>	<b>7,135</b>	2,861	<b>16,362</b>	11,602
<b>Operating expenses</b>				
Amortization	-	1,773	-	11,695
Consultants	93,919	245,239	355,804	517,006
Directors' fees	-	18,000	-	54,000
General and administrative	69,132	93,873	257,080	225,669
Interest	212,135	74,566	509,181	318,359
Investor relations	56,457	62,142	143,252	200,249
Marketing and advertising	176,254	74,536	192,796	142,873
Professional fees	(366)	98,645	137,458	309,016
Salaries, wages, and benefits	264,240	346,422	928,487	1,123,956
Share-based compensation	195,525	393,320	339,877	682,437
Software development	78,318	98,299	209,328	166,005
Software subscriptions and hosting fees	34,971	78,538	153,076	196,525
Transfer agent and filing fees	6,570	6,248	23,108	23,678
<b>Total operating expenses</b>	<b>1,187,155</b>	1,591,601	<b>3,249,447</b>	3,971,468
<b>Loss from operations</b>	<b>1,180,020</b>	1,588,740	<b>3,233,085</b>	3,959,866
<b>Other income</b>				
R&D tax recovery	-	-	-	484,309
<b>Total other income</b>	-	-	-	484,309
<b>Net loss and comprehensive loss</b>	<b>1,180,020</b>	1,588,740	<b>3,233,085</b>	3,475,557
Basic and diluted loss per share	<b>0.01</b>	0.01	<b>0.02</b>	0.03
Weighted average shares outstanding	<b>135,505,544</b>	122,538,951	<b>134,112,100</b>	102,957,009

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# Legible Inc.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars)

	Share capital			Reserves			Total
	Number of common shares	Share capital \$	Shares to be issued \$	Share options and compensatory warrants \$	Equity component of convertible debentures \$	Deficit \$	
Balance - December 31, 2022	77,774,786	15,881,125	263,000	2,282,529	480,903	(22,567,407)	(3,659,850)
Issuance of shares (\$0.11)	3,982,727	438,100	(143,000)	-	-	-	295,100
Issuance of shares (\$0.09)	26,348,696	2,371,383	-	-	-	-	2,371,383
Less: share-issuance costs	-	(178,332)	-	85,744	-	-	(92,588)
Warrants exercised (\$0.10)	8,000	1,286	-	(486)	-	-	800
Obligation to issue shares	-	-	59,755	-	-	-	59,755
Issuance of shares regarding debt conversions	18,529,000	1,852,900	-	-	(456,392)	-	1,426,508
Share-based compensation	-	-	-	682,437	-	-	682,437
Net loss and comprehensive loss for the period	-	-	-	-	-	(3,475,557)	(3,475,557)
<b>Balance - September 30, 2023</b>	<b>126,943,209</b>	<b>20,396,462</b>	<b>179,755</b>	<b>3,050,224</b>	<b>24,511</b>	<b>(26,042,964)</b>	<b>(2,392,012)</b>
<b>Balance - December 31, 2023</b>	<b>133,407,722</b>	<b>20,956,541</b>	<b>120,000</b>	<b>3,296,856</b>	<b>24,511</b>	<b>(27,365,144)</b>	<b>(2,967,236)</b>
Issuance of shares for convertible debenture interest	674,222	33,711	-	-	-	-	33,711
Warrants exercised (\$0.07)	3,374,936	487,335	-	(251,090)	-	-	236,245
Less: share-issuance costs	-	(53,211)	-	-	-	-	(53,211)
Issuance of convertible debentures	-	-	-	1,782	104,066	-	105,848
Share-based compensation	-	-	-	339,877	-	-	339,877
Net loss and comprehensive loss for the year	-	-	-	-	-	(3,233,085)	(3,233,085)
<b>Balance - September 30, 2024</b>	<b>137,456,880</b>	<b>21,402,391</b>	<b>120,000</b>	<b>3,409,410</b>	<b>128,577</b>	<b>(30,598,229)</b>	<b>(5,537,851)</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# Legible Inc.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASHFLOWS

For the Nine Months Ended September 30, 2024, and 2023

(Expressed in Canadian dollars)

	Nine months ended September 30, 2024 \$	Nine months ended September 30, 2023 \$
Note		
<b>Cash flows from operating activities</b>		
Net loss and comprehensive loss	(3,233,085)	(3,475,557)
Adjustments for non-cash items:		
Amortization	-	11,695
Interest	461,736	296,456
R&D tax recovery	-	(484,309)
Shares issued for services	241,638	343,478
Share-based compensation	339,877	682,437
Changes in working capital		
Decrease (increase) in prepaid expenses	43,032	(40,539)
Decrease (increase) in amounts receivable	2,864	9,878
Increase (decrease) in due to related parties	33,102	7,637
Increase (decrease) in accounts payable	314,439	471,853
<b>Net cash used in operating activities</b>	<b>(1,796,397)</b>	<b>(2,176,971)</b>
<b>Financing activities</b>		
Proceeds from share issuances	-	1,946,694
Proceeds from exercise of warrants	56,013	800
Proceeds from loans	5 1,047,983	568,373
Reduction of loans	5 (285,775)	(267,303)
Credit facility repayment	(20,000)	(50,000)
Proceeds from convertible debentures	6 1,206,000	-
Interest payment for convertible debentures	(4,797)	-
Convertible debenture issuance costs	(2,880)	(92,588)
<b>Net cash provided from financing activities</b>	<b>1,996,544</b>	<b>2,105,976</b>
<b>Net change in cash during the period</b>	<b>200,147</b>	<b>(70,995)</b>
<b>Cash - beginning of period</b>	<b>74,831</b>	<b>150,439</b>
<b>Cash - September 30, 2024</b>	<b>274,978</b>	<b>79,444</b>

*Non-cash investing & financing activities:*

<i>Fair value of broker warrants</i>	1,782	85,744
<i>Fair value of purchase warrants</i>	50,301	-
<i>Loans settled with investment in convertible debentures</i>	544,625	436,065
<i>Loans settled with warrants exercised</i>	180,232	-
<i>Interest converted into equity</i>	38,508	-

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# Legible Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended September 30, 2024, and 2023  
(Expressed in Canadian Dollars)

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## 1. CORPORATE INFORMATION

Legible is an eBook entertainment and media company that has developed a browser-first, globally distributed reading and publishing platform that offers a sophisticated and immersive reading experience to anyone with an internet-enabled device anywhere in the world, while solving key challenges faced by readers, publishers, and authors. This includes providing planned global access to literature without the need for eReaders and apps, improving the capacity to showcase marginalized voices, opening new device-agnostic markets, and innovating new digital publishing formats.

The Company and its wholly owned subsidiary, Legible Media Inc., were incorporated under the Alberta Business Corporations Act and the British Columbia Business Corporations Act, respectively. The head office is located at Suite 250 - 997 Seymour St. Vancouver, BC. V6B 3M1. The Company's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "READ" and trading commenced on December 1, 2021. On January 10, 2022, the Company's common shares commenced trading on the Frankfurt Stock Exchange (FSE) under the trading symbol DOT (D/zero/T). On January 25, 2023, the Company began trading on the U.S. based OTCQB Venture Market under the symbol LEBGF.

## 2. BASIS of PREPARATION and GOING CONCERN

### Statement of compliance

These condensed interim consolidated financial statements, including comparatives, of the Company and its subsidiaries are prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). Certain comparative figures have been reclassified to conform to the presentation used in the current period.

### Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not achieved scalable commercialization of its products.

As of September 30, 2024, the Company has limited revenue and generated negative cash flows from operating activities. The continued operations of the Company depends on its ability to generate future cash flows, or obtain additional financing. The Company had a working capital deficit of \$3,411,682 (December 31, 2023 - \$2,867,303) and an accumulated deficit of \$30,598,229 (December 31, 2023 - \$27,365,144) since inception. Management has determined, in making its assessment, that these events or conditions create a material uncertainty that cast significant doubt upon the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern depends on its ability to generate product sales, complete additional financings, and ultimately, attain and maintain profitable operations. While the Company is striving to act on these initiatives, there is no assurance that these and other strategies will be successful or sufficient to permit the Company to continue as a going concern.

# Legible Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended September 30, 2024, and 2023  
(Expressed in Canadian Dollars)

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## **Basis of preparation and going concern:** (continued)

### **Going concern** (continued)

These condensed interim consolidated financial statements do not reflect adjustments to the carrying values of the Company's assets and liabilities, revenue and expenses, and the statement of financial position that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

### **Basis of measurement**

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

### **Use of estimates and judgments**

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Significant judgments made by management in the process of applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include the application of the going concern assumption and the discount rates used in valuing the liability component of convertible debentures.

### **Principles of consolidation**

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Legible Media Inc. A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company balances and transactions between the Company and its subsidiary have been eliminated in preparing the condensed interim consolidated financial statements.

### **Functional and presentation currency**

These condensed interim financial statements are presented in Canadian dollars, which is the functional and reporting currency of the Company and its subsidiary.

### **Accounting standards issued but not yet effective**

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's condensed interim consolidated financial statements.



## Legible Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended September 30, 2024, and 2023  
(Expressed in Canadian Dollars)

### 3. PREPAID EXPENSES

A breakdown of prepaid expenses for the nine months ended September 30, 2024, and the year ended December 31, 2023, follows:

	September 30, 2024	December 31, 2023
Insurance	\$ -	\$ 25,000
Investor relations events	20,394	36,575
Software licensing	-	1,852
<b>Total prepaid expenses</b>	<b>\$ 20,394</b>	<b>\$ 63,427</b>

### 4. CREDIT FACILITY

On March 29, 2022, the Company entered into a credit facility arrangement, secured by a general security agreement, for principal of \$308,000, for a term of twelve months with a monthly interest rate of 1.5% per month compounded monthly. The Company became in breach of the loan agreement, resulting in additional monitoring fees of 2.0% per month compounded monthly, in addition to administration fees of \$1,000 per month. As of September 30, 2024, repayment of \$20,000 (2023 - \$72,149) was made against the outstanding obligation. The Company accrued \$60,470 (2023 - \$50,380) in interest, \$7,922 (2023 - \$1,332) in administration costs, and \$90,754 (2023 - \$77,348) in monitoring fees for a total of \$159,146 (2023 - \$129,060). The total amount outstanding, as at September 30, 2024, was \$585,756 (2023 - \$446,610).

### 5. LOANS PAYABLE

A continuity schedule for loans payable for the nine months ended September 30, 2024, and the year ended December 31, 2023, follows:

<b>Loans payable - December 31, 2023</b>	<b>\$ 450,279</b>
Additions	1,047,983
Commitment fees	100,498
Reduction of loans	(285,775)
Converted to convertible debentures	(544,625)
Converted to exercised warrants	(180,232)
Accrued interest	70,736
<b>Loans payable - September 30, 2024</b>	<b>\$ 658,864</b>

For the nine months ended September 30, 2024, the Company received bridge loans for \$1,047,983 (2023 - \$568,373), with a 10% commitment fee and 15% annual interest.

## Legible Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended September 30, 2024, and 2023  
(Expressed in Canadian Dollars)

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### 6. CONVERTIBLE DEBENTURES

A continuity schedule for convertible debentures for the nine months ended September 30, 2024, and the year ended December 31, 2023, follows:

<b>Convertible debentures - December 31, 2023</b>	<b>\$</b>	<b>99,933</b>
Proceed from debt holders		1,206,000
Conversion of loans		544,625
Conversion of debt settlements		402,638
Allocation to equity component		(104,066)
Allocation of transaction costs to equity component		(211)
Allocation of transaction costs to liability component		(4,451)
Allocation to current portion of convertible debt		(119,068)
Interest converted into equity		(38,508)
Interest accretion		139,277
<b>Convertible debentures - September 30, 2024</b>	<b>\$</b>	<b>2,126,169</b>

### 7. SHARE CAPITAL

#### Authorized:

Common shares (class A voting) - unlimited without par value

#### Issued and outstanding:

As at September 30, 2024, the Company had 137,456,880 issued and outstanding (2023 - 133,407,722) class A common shares. No class B common shares or preferred shares have been issued.

On July 31, 2024, the Company issued 674,222 common shares at \$0.05 per common share valued at \$33,711, and paid cash of \$4,797 in settlement of the first quarter interest indebtedness of \$38,508 (first of eight total payments) regarding the convertible debentures that were issued on April 26, 2024.

On August 16, 2024, the Company closed on its Warrant Incentive Program ("Incentive Program") that was applicable to six classes of warrants. Under this program, 3,374,936 warrants were exercised at \$0.07 for proceeds of \$236,245, of which \$180,232 was for the settlement of indebtedness that included a loan from a director for \$15,750. 3,374,936 shares were issued upon exercise of warrants under the Incentive Program at a reduced strike price of \$0.07 per common share. Pursuant to the Incentive Program, an additional 3,374,936 replacement warrants were issued to all persons participating, with an exercise price of \$0.10, and an expiry date of August 16, 2025.

## Legible Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended September 30, 2024, and 2023  
(Expressed in Canadian Dollars)

### WARRANTS AND STOCK OPTIONS

#### Warrants

Continuity schedule of the Company's share purchase warrants issued and outstanding for the nine months ended September 30, 2024, and the year ended December 31, 2023, follows:

	Number of warrants	Weighted average exercise price \$
<b>Outstanding - December 31, 2023</b>	<b>50,617,796</b>	<b>0.16</b>
Issued	30,665,407	0.09
Warrant repricing valuation adjustment	-	(0.04)
Exercised	(3,374,936)	0.07
Expired	(40,984,935)	0.13
<b>Outstanding - September 30, 2024</b>	<b>36,923,332</b>	<b>0.10</b>

The Company, on August 16, 2024, revised the terms for 14,491,645 outstanding share purchase and finders warrants that were issued with exercise prices between \$0.10 and \$1.25 per common share, with expiry dates between July 28, 2024 and April 26, 2026, and amended with an exercise price of \$0.07, and an expiry of August 16, 2024. 3,374,936 warrants were exercised, and 11,116,709 expired, unexercised.

The following assumptions were used for the Black-Scholes valuation of repriced warrants issued during the nine months ended September 30, 2024:

	September 30, 2024
Weighted average risk-free interest rate	4.47%
Weighted average expected life of warrants	30 days
Weighted average share price	\$0.06
Weighted average exercise price	\$0.07
Weighted average expected stock price volatility	182%
Dividend rate	0.00%
Fair value per repriced warrant	\$ 0.009

The Company recorded a fair value of \$131,386 for 14,491,645 warrants in share-based compensation in the condensed interim consolidated statement of loss and comprehensive loss.

# Legible Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended September 30, 2024, and 2023  
(Expressed in Canadian Dollars)

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## Warrants and stock options: (continued)

### Warrants (continued)

As at September 30, 2024, the following warrants were outstanding, and the weighted average remaining life of warrants outstanding was 0.77 years (December 31, 2023 - 0.58 years).

Exercise price \$	Expiry date	September 30, 2024
0.12	October 20, 2024	6,050,625 <sup>(1)</sup>
1.00	December 1, 2024	150,000 <sup>(2)</sup>
1.25	December 1, 2024	75,000 <sup>(2)</sup>
0.10	August 16, 2025	3,374,936 <sup>(3)</sup>
0.10	April 26, 2026	12,272,771 <sup>(4)</sup>
0.08	July 16, 2026	15,000,000 <sup>(4)</sup>
<b>0.07</b>		<b>36,923,332</b>

- (1) The share purchase and broker warrants have a term of 2 years. If the volume weighted average trading price of the common shares is at least \$0.40 per share for a period of 10 consecutive trading days, the expiry date of the warrants may be accelerated by the Company to a date that is not less than 21 days after the date that notice of such acceleration is provided to the warrant holders, which notice may be by way of general press release.
- (2) Compensation warrants have a term of three years expiring on December 1, 2024. If the closing price of the common shares is \$1.80 or higher per share for a period of 10 consecutive trading days, the expiry date of the compensation warrants may be accelerated by the issuer to a date that is not less than 30 days after the date that notice of such acceleration is provided to the warrant holders, which notice may be by way of general press release.
- (3) The share purchase warrants have a term of 1 year. If the volume weighted average trading price of the common shares is at least \$0.30 per share for a period of 10 consecutive trading days, the expiry date of the warrants may be accelerated by the Company to a date that is not less than 21 days after the date that notice of such acceleration is provided to the warrant holders, which notice may be by way of general press release.
- (4) The share purchase and broker warrants have a term of 2 years. If the volume weighted average trading price of the common shares is at least \$0.40 per share for a period of 5 consecutive trading days, the expiry date of the warrants may be accelerated by the Company to a date that is not less than 21 days after the date that notice of such acceleration is provided to the warrant holders, which notice may be by way of general press release.

## Legible Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended September 30, 2024, and 2023  
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### Warrants and stock options: (continued)

#### Warrants (continued)

##### Purchase Warrants

The following assumptions were used for the Black-Scholes valuation of purchase warrants issued during the nine months ended September 30, 2024:

	September 30, 2024
Risk-free interest rate	3.70%
Expected life of warrants	1 year
Share price	\$0.05
Exercise price	\$0.10
Expected stock price volatility	124%
Dividend rate	0.00%
Fair value per purchase warrant issued	\$ 0.015

The Company recorded a fair value of \$50,301 for 3,374,936 warrants in share-based compensation in the condensed interim consolidated statement of loss and comprehensive loss.

##### Broker Warrants

The following assumptions were used for the Black-Scholes valuation of warrants issued during the nine months ended September 30, 2024, and the year ended December 31, 2023:

	September 30, 2024	December 31, 2023
Average risk-free interest rate	4.28%	5.37%
Average expected life of warrants	2 years	1 year
Average share price	\$0.09	\$0.15
Average exercise price	\$0.10	\$0.13
Average expected stock price volatility	125%	130%
Dividend rate	0.00%	0.00%
Fair value per broker warrant issued	\$ 0.055	\$0.08

Broker warrants outstanding for the nine months ended September 30, 2024, were 318,640 (2023 - 1,023,897). The Company recorded share issuance costs of \$1,782 (2023 - \$85,744) for the same periods noted above. The expected stock price volatility was developed using management's best estimate and analyzing industry comparables.

## Legible Inc.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Nine Months Ended September 30, 2024, and 2023  
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### Warrants and stock options: (continued)

#### Stock options

Continuity schedule of the Company's stock options issued and outstanding for the nine months ended September 30, 2024, and the year ended December 31, 2023, follows:

	Number of options	Weighted average exercise price \$
<b>Outstanding - December 31, 2023</b>	<b>9,308,750</b>	<b>0.43</b>
Granted	1,605,000	0.20
Forfeited	(1,025,000)	0.30
<b>Outstanding - September 30, 2024</b>	<b>9,888,750</b>	<b>0.40</b>

As at September 30, 2024, the following stock options were outstanding and exercisable with an average remaining life of 7.61 years (December 31, 2023 - 8.92 years):

Exercise price per share option \$	Expiry date	Average remaining life (years)	Number of options outstanding	Number of options exercisable
0.20	February 7, 2025	0.36	800,000	400,000
0.50	December 30, 2030	6.25	125,000	125,000
1.00	June 29, 2031	6.75	425,000	425,000
1.25	October 29, 2031	7.08	1,450,000	1,450,000
0.40	February 28, 2032	7.41	653,750	600,688
0.20	November 3, 2032	8.10	1,000,000	1,000,000
0.20	January 25, 2033	8.32	1,150,000	1,150,000
0.20	July 19, 2033	8.82	2,325,000	2,325,000
0.20	October 23, 2033	9.07	1,155,000	1,155,000
0.20	February 7, 2034	9.36	805,000	805,000
		<b>7.61</b>	<b>9,888,750</b>	<b>9,435,688</b>

# Legible Inc.

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## Warrants and stock options: (continued)

### Stock options (continued)

The fair value of options recognized for the nine months ended September 30, 2024, and the year ended December 31, 2023, has been estimated using the Black-Scholes valuation of stock options with the following assumptions:

	September 30, 2024	December 31, 2023
Average risk-free interest rate	4.17%	3.4%
Average expected life of options	3.76 years	6.5 years
Average share price	\$0.11	\$0.13
Average exercise price	\$0.20	\$0.20
Average expected stock price volatility	128%	105%
Dividend rate	0.00%	0.00%
Fair value per option granted	\$0.06	\$0.15

For the nine months ended September 30, 2024, a total of 1,605,000 (2023 - 1,550,000) stock options were issued. The Company recorded share-based compensation of \$144,352 (2023 - \$289,117) based on a vesting schedule during the nine months ended September 30, 2024. The expected stock price volatility was developed using management's best estimate and analyzing industry comparables.

## 8. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions:

### *Key management compensation*

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company. Key management personnel consists of the Company's Board of Directors, and corporate officers.

Transactions with related parties that are included in the condensed interim consolidated statement of loss and comprehensive loss for the nine months ended September 30, 2024, and 2023, were made in the normal course of operations and are summarized as follows:

	September 30, 2024	September 30, 2023
	\$	\$
Directors' fees	-	54,000
Salaries, wages, and benefits	354,073	350,506
Share-based compensation	36,230	174,159
	<b>390,303</b>	<b>578,665</b>

# Legible Inc.

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## Related party transactions: (continued)

As of September 30, 2024, \$44,232 (2023 - \$11,130) was outstanding to key management personnel regarding employment and consulting agreement commitments which were recorded in due to related parties. For the nine months ended September 30, 2024, and 2023, the Board of Directors were issued nil (2023 - 496,970) shares for services rendered.

## 9. FINANCIAL RISK MANAGEMENT OBJECTIVES and POLICIES

The risk exposure arising from financial instruments is summarized as follows:

- a. Credit risk - The Company's financial assets are cash and amounts receivable. The maximum exposure to credit risk, as at the period end, is the carrying value of their financial assets. The Company holds its cash in a bank account with a highly rated Canadian financial institution, therefore, minimizing the Company's credit risk in respect to its cash.
- b. Liquidity risk - The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company monitors its forecasted and actual cash flows as well as any anticipated investing, and financing activities. The Company, currently, does not have recurring revenue, and is working diligently on securing additional funding to meet short-term financial obligations after considering its operating obligations and cash on hand (*see note 2*).

<b>Nine months ended September 30, 2024</b>	<b>On Demand \$</b>
Accounts payable and accrued liabilities	<b>2,298,968</b>
Credit facility	<b>585,756</b>
Loans payable	<b>658,864</b>
Due to related parties	<b>44,232</b>

- c. Market risk - Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Company's income or the value of its holdings or financial instruments. The Company's major activities have been transacted in Canadian dollars for the nine months ended September 30, 2024, and has minimal market risks.
- d. Concentration risk – The risk occurs when the revenue has a significant exposure to a particular customer that contributes more than 10% of total revenues. During the nine months ended September 30, 2024, the Company had two major customers contributing more than 10%, as noted below:

	<b>September 30, 2024</b>	September 30, 2023
Customer A	<b>58%</b>	45%
Customer B	<b>16%</b>	12%
Customer C	-	22%



# Legible Inc.

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## 10. CAPITAL RISK MANAGEMENT

The Company's primary objective when managing capital is to maintain sufficient resources and raise funding to support current and long-term operating needs. The ability to continue as a going concern is essential to the Company's goal of providing returns to shareholders and other stakeholders. The capital structure of the Company consists of shareholders' equity. The Company manages its capital structure based on the level of funds available to the Company to manage its operations and in light of economic conditions. The Company balances its overall capital through new share, or debt issuances, or by undertaking other activities as deemed appropriate in the circumstances. The Company is not subject to externally imposed capital requirements. There have been no significant changes in the Company's approach to capital management during the year. These objectives and strategies are reviewed on a continuous basis.

## 11. CONTINGENCIES

The Company may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. Management believes that adequate provisions have been made in the financial statements, and the ultimate resolution of such contingencies will not have a material adverse effect on the financial position of the Company.

## 12. SUBSEQUENT EVENTS

On October 7, 2024, the Company issued 627,083 common shares at \$0.09 per common share valued at \$56,437 for the conversion of convertible debentures that were originally purchased on April 26, 2024.

On October 16, 2024, the Company granted 2,921,250 options to consultants and employees. The options have an exercise price of \$0.14; have a 10-year term with the vesting provisions of 50% 6 months after grant date and remaining 50% after 12 months.

On October 25, 2024, the Company issued 474,943 common shares at \$0.07 per common share valued at \$33,246, and paid cash of \$6,021 in settlement of the first quarter interest indebtedness of \$39,267 (first of eight total payments) regarding the convertible debentures that were issued on July 16, 2024.

On October 28, 2024, the Company issued 517,487 common shares at \$0.07 per common share valued at \$36,224, and paid cash of \$1,851 in settlement of the second quarter interest indebtedness of \$38,075 (second of eight total payments) regarding the convertible debentures that were issued on April 26, 2024.

In October, 800,000 options, were forfeited.

On November 1, 2024, the Company announced the appointment of DMCL LLP as its new independent auditor.

On November 26, 2024, the Company announced the cancellation of the \$0.14 private placement unit offering due to an investor who signed a subscription agreement for 11,500,000 units, and failed to wire the Company the subscription amount of \$1,610,000 after confirming multiple times, in writing, that the

## **Legible Inc.**

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### **Subsequent events:** (continued)

\$1,610,000 would be sent.

In November, the Company issued 1,101,053 common shares at \$0.07 per common share valued at \$77,074 regarding the conversions of convertible debentures that were purchased on July 16, 2024.