
METAGUEST.AI INCORPORATED

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

September 30, 2024

NOTICE TO READER

In accordance with National Policy 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited interim condensed consolidated financial statements, which have been prepared by management and approved by the Audit Committee and Board of Directors.

METAGUEST.AI INCORPORATED
Consolidated Statements of Financial Position

As at	September 30 2024	December 31 2023
Assets		
Current assets		
Cash	\$ 70,034	\$ 3,477
Accounts receivable	44,051	10,604
Prepaid expenses	31,129	13,923
GST/HST receivable	70,476	41,709
	<u>215,690</u>	<u>69,713</u>
Deposits	3,580	3,580
Equipment (note 6)	1,591	2,053
Right of use asset (note 8)	254,118	266,902
Intellectual property (note 7)	678,176	875,065
Total assets	<u>\$ 1,153,155</u>	<u>\$ 1,217,313</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 613,317	\$ 191,711
Deferred revenue (note 11)	142,915	46,180
Bridge loan (note 10)	-	232,374
Current portion of convertible debentures (note 9)	418,526	166,235
Lease liability (note 8)	136,519	81,687
	<u>1,311,277</u>	<u>718,187</u>
Lease liability (note 8)	107,985	177,481
	<u>107,985</u>	<u>177,481</u>
Total liabilities	<u>1,419,262</u>	<u>895,668</u>
Shareholders' equity		
Share capital (note 12)	4,946,847	3,965,246
Shares to be issued (note 12)	32,455	55,843
Contributed surplus (note 12)	1,103,913	789,549
Equity portion of debentures (note 9)	30,912	17,479
Deficit	(6,380,234)	(4,506,472)
Total shareholders' equity	<u>(266,107)</u>	<u>321,645</u>
Total liabilities and shareholders' equity	<u>\$ 1,153,155</u>	<u>\$ 1,217,313</u>

NOTES:

Going concern (note 2)

Subsequent events (note 16)

Approved on behalf of the Board

"Colin Keddy" _____ Director

"Doug McCartney" _____ Director

See accompanying notes to consolidated financial statements.

METAGUEST.AI INCORPORATED
Consolidated Statements of Net and Comprehensive Loss

For the three and nine months ended Sept 30	three months 2024	three months 2023	nine months 2024	nine months 2023
Net revenue				
Revenue	\$ 452,978	\$ 91,365	\$ 1,008,901	\$ 186,217
Cost of sales	(77,085)	(4,883)	(144,333)	(9,185)
	<u>\$ 375,893</u>	<u>\$ 86,482</u>	<u>\$ 864,568</u>	<u>\$ 177,032</u>
Expenses				
Salaries, wages and benefits	539,906	136,039	1,268,504	369,505
Share based compensation (note 12(b))	39,679	138,852	314,364	407,917
Subcontractors	116,150	69,265	373,120	175,973
Depreciation	97,969	91,244	275,292	273,733
Professional fees	53,126	35,621	105,816	103,219
Office and administration	67,913	13,737	240,083	67,002
Interest and accretion	21,224	13,974	64,799	64,545
Travel	54,943	1,162	96,352	3,493
	<u>990,910</u>	<u>499,894</u>	<u>2,738,330</u>	<u>1,465,387</u>
Net loss before extraordinary items	<u>\$ (615,017)</u>	<u>\$ (413,412)</u>	<u>\$ (1,873,762)</u>	<u>\$ (1,288,355)</u>
Loss on settlement of debentures	-	-	-	21,467
Net and comprehensive loss	<u>\$ (615,017)</u>	<u>\$ (413,412)</u>	<u>\$ (1,873,762)</u>	<u>\$ (1,309,822)</u>
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Weighted average number of shares outstanding	65,111,269	61,083,267	63,604,237	55,019,399

See accompanying notes to consolidated financial statements.

METAGUEST.AI INCORPORATED
Consolidated Statements of Changes in Shareholders' Equity

	Number of shares	Share capital	Shares to be issued	Contributed Surplus	Convertible Debentures	Deficit	Total
Balance as at December 31, 2022	46,813,565	\$ 2,987,547	\$ -	\$ 242,780	\$ 50,477	\$ (2,663,220)	\$ 617,584
Equity portion of debenture issuances (note 9)	-	-	-	-	5,983	-	5,983
Issuance of units (note 12(a))	14,269,702	856,182	-	-	-	-	856,182
Stock options issued (note 12(b))	-	-	-	407,917	-	-	407,917
Net and comprehensive loss for the period	-	-	-	-	-	(1,309,822)	(1,309,822)
Balance as at September 30, 2023	61,083,267	\$ 3,843,729	\$ -	\$ 650,697	\$ 56,460	\$ (3,973,042)	\$ 577,844
Balance as at December 31, 2023	61,429,934	\$ 3,965,245	\$ 55,843	\$ 789,549	\$ 17,479	\$ (4,506,472)	\$ 321,645
Share issuances (note 12(a))	4,927,918	981,602	(23,388)	-	-	-	958,213
Equity portion of debenture issuances (note 9)	-	-	-	-	13,433	-	13,433
Stock options issued (note 12(b))	-	-	-	314,364	-	-	314,364
Net and comprehensive loss for the period	-	-	-	-	-	(1,873,762)	(1,873,762)
Balance as at September 30, 2024	66,357,852	\$ 4,946,847	\$ 32,455	\$ 1,103,913	\$ 30,912	\$ (6,380,234)	\$ (266,107)

See accompanying notes to consolidated financial statements.

METAGUEST.AI INCORPORATED
Consolidated Statements of Cash Flows

For the nine months ended September 30

2024

2023

Operating activities

Net and comprehensive loss \$ (1,873,762) \$ (1,288,355)

Non-cash items

Depreciation	287,754	273,732
Interest and accretion	39,572	38,077
Loss on settlement of debentures	-	(21,467)
Share based compensation	314,364	407,917

Changes in non-cash working capital

GST/HST receivable	(28,767)	24,239
Accounts receivable	(33,446)	(10,153)
Prepaid expenses	(17,206)	(5,403)
Deferred revenue	96,735	15,717
Accounts payable and accrued liabilities	421,607	27,019
	<u>(793,149)</u>	<u>(538,677)</u>

Investing activities

Right of use asset	(65,156)	-
	<u>(65,156)</u>	<u>-</u>

Financing activities

Shares issued	981,601	856,182
Shares to be issued	(23,388)	-
Issuance of convertible debentures	235,000	65,000
Payments on convertible debentures	-	(366,533)
Advance on bridge loan	(235,000)	-
Lease payments	(33,351)	(80,840)
	<u>924,862</u>	<u>473,809</u>

Increase (decrease) in cash

66,557 (64,868)

Cash, beginning of period

3,477 105,394

Cash, end of period

\$ 70,034 \$ 40,526

See accompanying notes to consolidated financial statements.

METAGUEST.AI INCORPORATED
Notes to unaudited interim condensed financial statements
September 30, 2024

1. Nature of operations

METAGUEST.AI INCORPORATED and its wholly owned subsidiary METAGUEST INCORPORATED (the "Company") were incorporated under the laws of Alberta on February 4, 2021 and Delaware on May 21, 2021 respectively. The Company holds intellectual property related to the METAGUEST, BNSELLIT and BNBUYIT applications for iOS and Android operating systems.

The Company's corporate office is at 122 Judge Road, Unit 2, Toronto, ON, M8Z 5B7. The Company's Class A common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol METG.

2. Going concern

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will continue operating for the foreseeable future and will be able to realize a return on its assets and discharge its liabilities and commitments in the ordinary course of its business.

For the nine months ended September 30, 2024 the Company incurred a net and comprehensive loss of \$1,873,762 (nine months ended September 30, 2023 - \$1,288,355) and deficit of \$6,380,234 (December 31, 2023 - \$4,506,472). In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. These conditions indicate the existence of material uncertainty that may cast significant doubt regarding the ability to continue of as a going concern.

The Company's continued existence is dependent upon the commercial success of the intellectual property and the Company's ability to raise additional capital or financing which is uncertain. These consolidated financial statements do not include any adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

3. Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standard ("IAS") 34, Interim Financial Reporting. These unaudited interim condensed consolidated financial statements do not include all of the information required for full annual audited financial statements and should be read in conjunction with the Company's annual audited financial statements which have been prepared in accordance with IFRS.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 27, 2024.

4. Accounting policies

These unaudited interim condensed consolidated financial statements of the Company have been prepared following the same accounting policies and methods of computation as the annual audited consolidated financial statements at December 31, 2023. The disclosures included below are incremental to those included in the annual audited financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual audited financial statements and notes thereto for the year ended December 31, 2023.

METAGUEST.AI INCORPORATED
Notes to unaudited interim condensed financial statements
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5. Use of estimates and judgements

The preparation of the 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, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key areas with estimate uncertainties are as follows:

- a. Indicators of impairment of IP – Management is required to assess, at each reporting date, whether there are any indicators that the asset may be impaired. Management is required to consider information from both external and internal sources.
- b. Fair value of bridge loan and convertible debentures – Management is required to determine the market interest rate for debt of the Company.
- c. Share based compensation – Management is required to determine the appropriate valuation model and determine the inputs for the model. The Company has made estimates on the volatility of its shares as well as the interest rate. The Company has used the Black Scholes model.
- d. Leases - The Company estimates the incremental borrowing rate used to measure the lease liability for the lease contract.

Key areas with judgments in applying accounting policies are as follows:

- a. Going concern – Management is required to make a judgment on whether the Company will be able to continue as a going concern. See note 2.

6. Equipment

	Computer equipment
Cost	
As at December 31, 2022	\$ 4,626
Additions	-
As at December 31, 2023	<u>4,626</u>
Additions	-
As at September 30, 2024	<u>\$ 4,626</u>
Accumulated amortization	
As at December 31, 2022	\$ 1,694
Amortization for the year	879
As at December 31, 2023	<u>2,573</u>
Amortization for the period	462
As at September 30, 2024	<u>\$ 3,035</u>
Net Book Value	
As at December 31, 2023	<u>\$ 2,053</u>
As at September 30, 2024	<u>\$ 1,591</u>

METAGUEST.AI INCORPORATED
Notes to unaudited interim condensed financial statements
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7. METAGUEST platform intellectual property

	Intellectual property
Cost	
As at December 31, 2022	\$1,312,598
Additions	-
As at December 31, 2023	<u>1,312,598</u>
Additions	-
As at September 30, 2024	<u>\$1,312,598</u>
 Accumulated amortization	
As at December 31, 2022	\$ 175,013
Amortization for the year	262,520
As at December 31, 2023	<u>437,533</u>
Amortization for the period	196,889
As at September 30, 2024	<u>\$ 634,422</u>
 Net Book Value	
As at December 31, 2023	<u>\$ 875,065</u>
As at September 30, 2024	<u>\$ 678,176</u>

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Notes to unaudited interim condensed financial statements
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8. Right of use asset and lease liability

On December 1, 2023, the Company entered into a lease for an office facility. The lease has a term of 36 months and expires November 30, 2026 with an interest rate of 10.2% per annum. The Company's previous lease expired during 2023 with an interest rate of 6% per annum. On August 1, 2024, the Company entered into a lease for an office facility in the United States. The lease has a term of 14 months and expires September 30, 2025 with an interest rate of 10.0% per annum.

Right of use assets

As at December 31, 2022	\$ 194,694
Additions	274,528
End of lease	<u>(194,694)</u>
As at December 31, 2023	<u>\$ 274,528</u>
Additions	65,156
As at September 30, 2024	<u>\$ 339,684</u>

Accumulated amortization

As at December 31, 2022	\$ 110,045
Amortization for the period	92,275
End of lease	<u>(194,694)</u>
As at December 31, 2023	<u>\$ 7,626</u>
Amortization for the period	77,940
As at September 30, 2024	<u>\$ 85,566</u>

Net Book Value

As at December 31, 2023	<u>\$ 266,902</u>
As at September 30, 2024	<u>\$ 254,118</u>

Lease liability

As at December 31, 2022	\$ 87,400
Additions	265,719
Lease interest	4,680
Lease payments	<u>(98,631)</u>
As at December 31, 2023	<u>\$ 259,168</u>
Additions	57,345
Lease interest	18,687
Lease payments	<u>(87,995)</u>
Foreign exchange gain	<u>(2,701)</u>
	<u>\$ 244,504</u>
Less: current portion	<u>(136,519)</u>
As at September 30, 2024	<u>\$ 107,985</u>

The Company is committed to future lease payments as follows:

2024 - \$39,498
2025 - \$144,921
2026 - \$96,901

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Notes to unaudited interim condensed financial statements
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9. Convertible debentures

a) \$0.25 Debentures

On June 6, 2022 (\$100,000), June 30, 2022 (\$46,000), July 4, 2022 (\$90,000), September 12, 2022 (\$95,000), October 21, 2023 (\$112,000), November 9, 2022 (\$50,000), January 31, 2023 (\$25,000), February 28, 2023 (\$15,000) and March 2, 2023 (\$25,000) the Company issued 10% convertible debentures in the principal amount of \$558,000 (see Note 12 and Note 15).

The convertible debentures mature eighteen months from the issue date and are convertible at any point prior to maturity, at the option of the debenture holders, into Class A common shares of the Company at a price of \$0.25 per Class A common share. Interest on the principal amount outstanding is calculated and payable on the 30th of each month and was first payable on June 30, 2022.

If the volume weighted average price of the Class A common shares, on the Canadian Securities Exchange, for 10 consecutive trading days equals or exceed \$0.60, the Company may force conversion of all of the principal amount of the convertible debentures at the conversion price, upon giving holder fifteen days advance written notice.

Upon initial recognition, the Company allocated the proceeds between the components based on the fair value of the debt and the residual to the equity component. The fair value of the liability component of \$501,540 (December 31, 2022 - \$442,523) was determined using a market rate of 17%. The value of the equity component amounted to \$56,460 (December 31, 2022 - \$50,477).

On April 21, 2023, the Company settled \$388,000 of the convertible debentures for units of the Company at \$0.06 per unit.

During the period, the Company amended the expiry date of the remaining \$170,000 in convertible debentures to December, 31, 2024.

As at September 30, 2024, the outstanding balances associated with the convertible debentures were as follows:

	Sept 30	Dec 31
	2024	2023
Liability component of the convertible debenture		
Opening balance	\$ 166,235	\$ 454,749
Additions	-	59,017
Repayment on settlement	-	(388,000)
Loss on settlement	-	21,467
Accretion	3,765	19,002
Interest	12,762	27,927
Interest paid	(12,762)	(27,927)
	<u>\$ 170,000</u>	<u>\$ 166,235</u>
Less: Current portion	<u>\$ 170,000</u>	<u>166,235</u>
	<u>\$ -</u>	<u>\$ -</u>

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Notes to unaudited interim condensed financial statements
September 30, 2024

9. Convertible debentures, continued

b) \$0.30 Debentures

On February 8, 2024, the Company closed a secured convertible loan in the amount of \$235,000 with a private lender, a company with common officers and directors of the Company. The convertible loan bears an interest rate of 12%, is convertible at a price of \$0.30 per common share and has a maturity date of February 6, 2025. The Corporation has also issued 117,500 share purchase warrants, to the Lender, exercisable for two years at a price of \$0.30 per share. The Convertible Loan is secured by a general security agreement between the parties. Proceeds of the Convertible Loan were used to repay the \$210,000 secured bridge loan (note 10).

Upon initial recognition, the Company allocated the proceeds between the components based on the fair value of the debt and the residual to the equity component. The fair value of the liability component of \$221,567 was determined using a market rate of 16%. The value of the equity component amounted to \$13,433.

As at September 30, 2024, the outstanding balances associated with the convertible debenture were as follows:

	Sept 30	Dec 31
	2024	2023
Liability component of the convertible debenture		
Opening balance	\$ -	\$ -
Additions	235,000	-
Fair value discount	(4,735)	-
Interest	18,261	-
Accretion	-	-
	<u>\$ 248,526</u>	<u>\$ -</u>
Less: Current portion	\$ 248,526	-
	<u>\$ -</u>	<u>\$ -</u>

10. Bridge loan

On December 14, 2022, the Company entered into a \$210,000 loan facility with an arms length individual investor. The loan bears an interest rate of 12%, a 2% structuring fee and was due on or before April 14, 2023. The loan was repaid on February 8, 2024.

As at September 30, 2024, the outstanding balances associated with the bridge loan were as follows:

	Sept 30	Dec 31
	2024	2023
Loan		
Balance	\$ 232,374	\$ 206,419
Payments	(210,000)	-
Accretion	-	3,581
Interest and fees	2,626	25,200
Interest paid	(25,000)	(2,826)
	<u>\$ -</u>	<u>\$ 232,374</u>

METAGUEST.AI INCORPORATED
Notes to unaudited interim condensed financial statements
September 30, 2024

11. Deferred revenue

Sales include monthly subscription sales covering periods beyond September 30, 2024.

	Sept 30	Dec 31
	2024	2023
Deferred revenue		
Opening balance	\$ 46,180	\$ -
Additions from contracts with customers	96,735	46,180
	<u>\$ 142,915</u>	<u>\$ 46,180</u>
Less: Current portion	\$ 142,915	\$ 46,180
	<u>\$ -</u>	<u>\$ -</u>

12. Share capital

(a) Capital

Authorized with an unlimited number of the following shares:

Class A voting common shares

Class B non-voting common shares

Issued:

Class A common shares	Number of		Value
	Shares		
Balance as at December 31, 2023	61,429,934	\$	3,965,245
Issued (i - v)	4,927,918		981,602
Balance as at September 30, 2024	<u>66,357,852</u>		<u>4,946,847</u>

- (i) On January 16, 2024, the Company issued 250,100 units at a deemed issue price of \$0.30 per unit for gross proceeds of \$75,030. Each unit consisted of one Class A common share and one half of one Class A common share purchase warrant, exercisable at \$0.50 for 18 months. The Company allocated the full value of the units to the shares using the residual method and estimating the fair value of the Class A common share.
- (ii) On March 12, 2024, the Company issued 433,650 units at a deemed issue price of \$0.30 per unit for gross proceeds of \$130,095. Each unit consisted of one Class A common share and one half of one Class A common share purchase warrant, exercisable at \$0.50 for 18 months. The Company allocated the full value of the units to the shares using the residual method and estimating the fair value of the Class A common share.
- (iii) On April 12, 2024, the Company issued 312,550 units at a deemed issue price of \$0.30 per unit for gross proceeds of \$93,765. Each unit consisted of one Class A common share and one half of one Class A common share purchase warrant, exercisable at \$0.50 for 18 months. The Company allocated the full value of the units to the shares using the residual method and estimating the fair value of the Class A common share.
- (iv) On June 26, 2024, the Company issued 403,384 units at a deemed issue price of \$0.30 per unit for gross proceeds of \$121,015. Each unit consisted of one Class A common share and one half of one Class A common share purchase warrant, exercisable at \$0.50 for 18 months. The Company allocated the full value of the units to the shares using the residual method and estimating the fair value of the Class A common share.

METAGUEST.AI INCORPORATED
Notes to unaudited interim condensed financial statements
September 30, 2024

12. Share capital, continued

(a) Capital, continued

- (v) On August 15, 2024, the Company issued 666,650 units at a deemed issue price of \$0.30 per unit for gross proceeds of \$199,995. Each unit consisted of one Class A common share and one half of one Class A common share purchase warrant, exercisable at \$0.50 for 18 months. The Company allocated the full value of the units to the shares using the residual method and estimating the fair value of the Class A common share.
- (vi) On August 30, 2024, the Company issued 377,720 units at a deemed issue price of \$0.30 per unit for gross proceeds of \$113,316. Each unit consisted of one Class A common share and one half of one Class A common share purchase warrant, exercisable at \$0.50 for 18 months. The Company allocated the full value of the units to the shares using the residual method and estimating the fair value of the Class A common share.
- (vii) During the period ended September 30, 2024, the Company issued 2,483,864 shares from the exercise of \$0.10 warrants for gross proceeds of \$248,386.

(b) Stock option plan

On June 10, 2022 the shareholders of the Company approved a stock option plan (the "Plan") under which the directors of the Company may grant options to qualified directors, officers and consultants of the Company. The exercise price of the options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the trading day. The maximum term of any option cannot exceed ten years. The maximum aggregate number of common shares under option at any time under the Plan shall not exceed 10% of the issued and outstanding Class A common shares on a non-diluted basis at any time.

A summary of the Company's stock option activity for the nine months ended September 30, 2024 is as follows:

	Number Of Options	Weighted- Average Exercise Price
Outstanding, December 31, 2023 and September 30, 2024	3,410,000	\$ 0.375

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at September 30, 2024 are as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted- Average Exercise Price	Average Remaining Contractual Life (years)	Number Exercisable	Weighted- Average Exercise Price
\$0.375	3,410,000	\$0.375	2.7	3,410,000	\$0.375

METAGUEST.AI INCORPORATED
Notes to unaudited interim condensed financial statements
September 30, 2024

12. Share capital, continued

(c) Warrants

During the nine months ended September 30, 2024, 2,483,864 warrants at a price of \$0.10 were exercised.

During the nine months ended September 30, 2024, 1,222,027 warrants were issued exercisable at a price of \$0.50 expiring 18 months from the issue date (July 16, 2025 – 125,050, September 12, 2025 – 216,825, October 12, 2025 – 156,275, December 26, 2025 – 201,692, February 15, 2026 – 333,325 and February 28, 2026 – 188,860) (see note 12(a)(i - vi)).

During the nine months ended September 30, 2024, 117,500 warrants were issued exercisable at a price of \$0.30 expiring on February 8, 2026 (see note 9(b)).

Warrants	Number of Warrants	Value
Balance as at December 31, 2023	7,308,177	\$ -
Warrants issued from units for cash	1,222,027	-
Warrants exercised for cash	(2,483,864)	-
Warrants issued as bonus on convertible debenture	117,500	-
Balance September 30, 2024	6,163,840	\$ -

13. Related party transactions

During the nine months ended September 30, 2024, the Company paid wages and related benefits to individuals related to a director of the Company in the amount of \$93,052 (nine months ended September 30, 2023 - \$75,000).

During the nine months ended September 30, 2024, the Company incurred fees of \$45,949 (nine months ended September 30, 2023 - \$28,725) from companies related to directors of the Company for legal services.

On February 8, 2024, the Company closed a secured convertible loan in the amount of \$235,000 with a private lender, a company with common officers and directors of the Company (see Note 9(b)).

The Company considers key management to be the CEO, CFO, CTO and COO. Key management compensation recognized in wages and related benefits and subcontractors as follows:

Nine months ended September 30	2024		2023	
Salaries, consulting and benefits	\$	165,000	\$	65,000
Share based compensation		123,186		154,904
	\$	288,186	\$	219,904

14. Capital management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, provide adequate working capital and maintain cash on hand. The Company defines capital as the Company's shareholders' equity. At September 30, 2024 the Company had equity of (\$266,107) (December 31, 2023 - \$321,644). The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

METAGUEST.AI INCORPORATED
Notes to unaudited interim condensed financial statements
September 30, 2024

15. Financial instruments and risk management

Fair value measurements

Financial instruments carried at fair value on the statement of financial position are assessed using the following hierarchy based on the amount of observable inputs used to value the instrument.

- ♦ Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- ♦ Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- ♦ Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

Due to the short term nature of the cash, accounts receivable and accounts payable and accrued liabilities the carrying value approximates its fair value. The bridge loan and convertible debenture have been recorded at fair value using market rates for debt with similar terms.

Liquidity risk

Liquidity risk is the potential for the Company to have difficulty in meeting its obligations associated with financial liabilities as they become due. The Company's financial liabilities consist of the accounts payable and accrued liabilities, bridge loan and convertible debentures. The accounts payable and accrued liabilities, bridge loan and the current portion of convertible debentures have contractual maturities of less than one year. The long term portion of convertible debentures matures in 2024.

16. Subsequent events

Subsequent to September 30, 2024, the Company issued 3,934,998 shares from the exercise of \$0.10 warrants for gross proceeds of \$393,500.

17. Contingency

The Company received a statement of claim from a former capital markets service provider (the "Claimant"), stating that the Company did not provide a notice of termination of its marketing agreement (the "Agreement"). In July 2022, the Company and the Claimant amended the Agreement whereby the Claimant covenanted that it shall continue to perform its services as set forth in the Agreement until the expiration of the initial period (being October 5, 2022). The Company believes the allegations made in the statement of claim are entirely without merit and the action will be vigorously defended by the Company.