NEXTECH3D.AI CORPORATION
(formerly NexTech AR Solutions Corp.)

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)

Opinion

We have audited the accompanying consolidated financial statements of NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.) (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit 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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that as at December 31, 2023, the Company had a working capital deficiency of $2,206,405 and an accumulated deficit of $112,211,223. As stated in Note 1, these events and conditions 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.

Other Matters

The consolidated financial statements of the Company for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on April 28, 2023.

Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Impairment Assessment of Goodwill and Intangible Assets

We draw your attention to Note 11 to the consolidated financial statements, the Company's goodwill and intangible asset balance was $NIL as at December 31, 2023. The goodwill and intangible assets are allocated to the cash generating units and management conducts an impairment assessment annually, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment charges are determined by comparing the recoverable amount of the cash generating unit to its carrying value. The recoverable amount is the higher of the value in use and the fair value less costs to dispose. Management prepared cash flows models to support the recoverable value which included significant judgements and assumptions relating to future cash flows, growth rates and discount rates. Based on the results of the impairment assessment, management recorded impairment on the goodwill of $6,417,388 and $1,157,875 on intangible assets for the year ended December 31, 2023.

The principal considerations for our determination that performing procedures relating to the impairment assessment of goodwill and intangible assets at the cash generating unit level is a critical audit matter are (i) the significant judgement required by management when developing the recoverable of the cash generating units; and (ii) a high degree of auditor judgement, subjectivity and effort in performing procedures to evaluate management's significant assumptions, including future cash flows, growth rates and discount rates.

Addressing the matter involved performing procedures and evaluating audit evidence, in connection with forming our overall opinion on the consolidated financial statements. These procedures included among others:

- Evaluating the appropriateness of the underlying discounted cash flow model.
- Testing the completeness and accuracy of underlying data used in the models.
- Evaluating the reasonableness of the significant assumptions used by management, including the future cash flows, growth rates and discount rates.
- Utilizing valuations professionals with specialized skill and knowledge to assist in testing the reasonableness of certain significant inputs and assumptions used, as well as examining the appropriateness of the impairment models.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, 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, 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 Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 consolidated financial statements of the current year 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 Peter Maloff.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 29, 2024

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	**December 31, 2023**	December 31, 2022
		$	$
ASSETS			
Current			
Cash and cash equivalents	6	**907,847**	3,777,117
Receivables	8	**357,398**	744,331
Contract asset	17(c)	**51,320**	589,015
Net investment in sublease	10	**199,933**	-
Prepaid expenses and deposits		**294,471**	310,906
Inventory		**-**	45,289
Assets classified as held for sale	7	**-**	501,188
		1,810,969	5,967,846
Equipment	9	**325,633**	278,463
Deferred consideration	7	**206,850**	-
Right-of-use asset	10	**-**	829,278
Net investment in sublease	10	**642,983**	-
Intangible assets	11(a)	**-**	3,313,741
Goodwill	11(b)	**-**	6,746,378
Total assets		**2,986,435**	17,135,706
LIABILITIES			
Current			
Accounts payable and accrued liabilities	12, 16	**3,531,460**	2,641,918
Deferred revenue	17(b)	**342,192**	437,746
Current portion of lease liability	10	**143,722**	222,250
Liabilities classified as held for sale	7	**-**	92,532
		4,017,374	3,394,446
Lease liability	10	**469,624**	582,586
Deferred income tax liability		**-**	29,974
Total liabilities		**4,486,998**	4,007,006
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	14(b)	**91,909,495**	83,271,707
Reserves		**14,166,972**	12,754,706
Accumulated other comprehensive income		**678,143**	827,101
Deficit		**(112,211,223)**	(85,898,862)
Equity attributable to shareholders of the Company		**(5,456,613)**	10,954,652
Non-controlling interest		**3,956,050**	2,174,048
Total shareholders' equity (deficiency)		**(1,500,563)**	13,128,700
Total liabilities and shareholders' equity (deficiency)		**2,986,435**	17,135,706

Nature of operations and going concern (Note 1)
Subsequent events (Note 25)

Approved and authorized for issue on behalf of the Board of Directors:

/s/"Evan Gappelberg "	*/s/"Belinda Tyldesley"*
Director	Director

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

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars, except number of shares)

	Note	Years ended December 31, 2023	2022
		$	$
Revenue	17(a)	**5,033,202**	3,224,791
Cost of sales	16, 18(a)	**(3,586,162)**	(1,593,076)
Gross profit		**1,447,040**	1,631,715
Operating expenses			
Sales and marketing	18(b)	**4,546,502**	5,013,367
General and administrative	16, 18(c)	**9,362,610**	13,377,575
Research and development	18(d)	**3,249,799**	3,892,208
Share-based compensation	14(e), 16	**1,775,695**	1,715,690
Amortization of intangible assets	11	**2,105,689**	2,655,652
Amortization of right-of-use asset	10	**55,728**	76,905
Depreciation	9	**87,824**	122,930
Operating loss		**(19,736,807)**	(25,222,612)
Other income (expenses)			
Gain on recognition of sublease	10	**120,626**	-
Equipment write-off	9	**(85,679)**	-
Gain on liability		**-**	381,019
Impairment of intangible assets and goodwill	11	**(7,575,263)**	(476,113)
Foreign exchange gain (loss)		**(14,393)**	1,345,593
Loss before taxes from continuing operations		**(27,291,516)**	(23,972,113)
Current income tax expense		**-**	(34,937)
Deferred income tax recovery		**29,974**	672,148
Net loss from continuing operations		**(27,261,542)**	(23,334,902)
Net loss from discontinued operations	7	**(452,814)**	(4,043,424)
Net loss		**(27,714,356)**	(27,378,326)
Other comprehensive loss			
Exchange gain or (loss) on translation of foreign operations		**(148,958)**	(432,845)
Total comprehensive loss		**(27,863,314)**	(27,811,171)
Net loss from continuing operations:			
Attributed to shareholders of the Company		**(25,109,547)**	(22,896,701)
Attributed to non-controlling interest		**(2,151,995)**	(438,201)
Net loss from discontinued operations:			
Attributed to shareholders of the Company		**(452,814)**	(4,043,424)
Attributed to non-controlling interest		**-**	-
Total comprehensive loss:			
Attributed to shareholders of the Company		**(25,711,319)**	(27,372,970)
Attributed to non-controlling interest		**(2,151,995)**	(438,201)
Loss per share from continuing operations			
Basic and diluted		**(0.22)**	(0.24)
Loss per share from discontinued operations			
Basic and diluted		**(0.00)**	(0.04)
Weighted average number of common shares			
Basic and diluted		**114,085,494**	100,201,691

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

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended December 31,	
	2023	2022
	$	$
Operating activities:		
Net loss for the year	**(27,714,356)**	(27,378,326)
Adjustments for:		
Interest income from sublease	**(39,903)**	-
Interest expense from lease	**30,217**	28,668
Share-based compensation	**1,775,695**	1,715,690
Amortization of intangible assets	**2,105,689**	2,655,652
Amortization of right-of-use asset	**55,728**	261,101
Depreciation	**87,824**	143,567
Gain on recognition of sublease	**(120,626)**	-
Equipment write-off	**85,679**	-
Gain on liability	**-**	(381,019)
Impairment of intangible assets and goodwill	**7,759,360**	3,178,426
Expenses paid with common shares of the Company	**648,891**	1,917,837
Loss on disposal of PET	**173,534**	-
Current income tax expense	**-**	-
Changes in non-cash working capital:		
Receivables	**386,933**	269,873
Contract asset	**537,695**	(202,813)
Prepaid expenses and deposits	**16,435**	408,743
Inventory	**45,289**	2,954,342
Accounts payable and accrued liabilities	**917,814**	(24,574)
Deferred revenue	**(95,554)**	(171,255)
Deferred income tax liability	**-**	(673,290)
Cash used in operating activities	**(13,343,656)**	(15,297,378)
Investing activities:		
Purchase of equipment	**(227,250)**	(101,784)
Payments received from sublease	**66,554**	-
Cash used in investing activities	**(160,696)**	(101,784)
Financing activities:		
Net proceeds from private placements	**5,726,654**	8,890,349
Proceeds from employee pay program	**2,269,704**	2,496,628
Proceeds from securities issued to non-controlling interest	**2,813,107**	1,657,354
Repayment of loan	**-**	(90,896)
Repayment of lease liability	**(203,762)**	(388,804)
Cash provided by financing activities	**10,605,703**	12,564,631
Effect of foreign exchange on cash and cash equivalents	**29,379**	(616,272)
Change in cash and cash equivalents	**(2,898,649)**	(2,834,531)
Cash and cash equivalents, beginning of year	**3,777,117**	7,237,296
Cash and cash equivalents, end of year	**907,847**	3,786,493
Cash and cash equivalents, end of year, continuing operations	**907,847**	3,777,117
Cash and cash equivalents, end of year, discontinued operations	**-**	9,376
Income taxes paid	**-**	27,005
Cash interest paid	**30,217**	30,910
Cash interest received	**121,122**	108,390

Supplemental cash flow disclosures (Note 21)

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

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of shares	Share capital	Reserves	Accumulated other comprehensive income	Deficit	Non-controlling interest	Total
	#	$	$	$	$	$	$
Balance, December 31, 2021	90,880,791	70,570,760	11,390,048	1,259,946	(58,958,737)	-	24,262,017
Shares issued for services	1,454,420	1,313,971	(42,906)	-	-	625,000	1,896,065
Shares issued for employee pay program	2,972,176	2,496,628	-	-	-	-	2,496,628
Shares issued from short form prospectus	8,130,082	10,000,001	-	-	-	-	10,000,001
Share issuance costs	-	(1,109,653)	21,772	-	-	-	(1,087,881)
Share-based compensation	-	-	1,576,707	-	-	138,983	1,715,690
Distribution to shareholders (Note 5)	-	-	(1,000,000)	-	-	1,000,000	-
Other net changes in capitalization	-	-	809,085	-	-	848,266	1,657,351
Exchange loss on translation of foreign operations	-	-	-	(432,845)	-	-	(432,845)
Net loss for the year	-	-	-	-	(26,940,125)	(438,201)	(27,378,326)
Balance, December 31, 2022	103,437,469	83,271,707	12,754,706	827,101	(85,898,862)	2,174,048	13,128,700
Shares issued for services	1,030,237	641,391	7,500	-	-	-	648,891
Shares issued for employee pay program	4,445,938	2,809,948	(309,725)	-	-	(230,519)	2,269,704
Shares issued from short form prospectus	18,584,569	6,148,891	391,240	-	-	-	6,540,131
Share issuance costs	-	(962,442)	148,965	-	-	-	(813,477)
Share-based compensation	-	-	871,039	-	-	904,656	1,775,695
Distribution to shareholders (Note 5)	-	-	(1,000,000)	-	(750,000)	1,750,000	-
Other net changes in capitalization	-	-	1,303,247	-	-	1,509,860	2,813,107
Exchange gain on translation of foreign operations	-	-	-	(148,958)	-	-	(148,958)
Net loss for the year	-	-	-	-	(25,562,361)	(2,151,995)	(27,714,356)
Balance, December 31, 2023	**127,498,213**	**91,909,495**	**14,166,972**	**678,143**	**(112,211,223)**	**3,956,050**	**(1,500,563)**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.) (“NexTech” or the “Company”) is a metaverse company that provides augmented reality experience technologies, wayfinding technologies, and 3D model services. The Company was incorporated in the province of British Columbia, Canada on January 12, 2018. The Company’s registered office is located at PO Box 64039 RPO Royal Bank Plaza, Toronto, Ontario, M5J 2T6. The Company’s shares are traded on the Canadian Securities Exchange (the “CSE”) under the trading symbol “NTAR”, on the Frankfurt Stock Exchange under the trading symbol “1SS”, and in the United States of America on the OTCQX under the trading symbol “NEXCF”.

On September 28, 2023, the Company changed its name from NexTech AR Solutions Corp. to NexTech3D.AI Corporation.

These consolidated financial statements for the years ended December 31, 2023 and 2022 (“financial statements”) have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. As at December 31, 2023, the Company had a working capital deficiency of $2,206,405 (December 31, 2022 - working capital of $2,573,400) and an accumulated deficit of $112,211,223 (December 31, 2022 - $85,898,862). For the year ended December 31, 2023, the Company incurred a net loss of $27,714,356 (2022 - $27,378,326) and used total cash in operations of $13,343,656 (2022 - $15,297,378). These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. As a result, the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to continue as a going concern is dependent upon its ability to generate positive cash flows from operations, and/or raise adequate funding through equity or debt financing to discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Should the Company be unable to continue as a going concern, asset and liability realization values may be substantially different from their carrying values. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on April 29, 2024.

These financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

b) Basis of presentation

These financial statements have been prepared using the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, as specified by IFRS for each type of asset, liability, income, and expense as set out in the accounting policies below.

c) Functional and presentation currency

The financial statements are presented in Canadian dollars (“CAD”) which is the functional currency of the Company. An entity’s functional currency is the currency of the primary economic environment in which an entity operates and is listed in Note 2(d) for each of the Company’s subsidiaries. References to “$” are to Canadian dollars, references to “US$” or “USD” are to United States dollars.

d) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company. Control occurs when the Company is exposed to, or has right to, variable return from its involvements with an investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases.

(Expressed in Canadian dollars, except where noted)

2. BASIS OF PREPARATION (continued)

A summary of the Company's subsidiaries included in these financial statements as at December 31, 2023 is as follows:

Name of subsidiaries	Country of incorporation	Percentage ownership	Functional currency	Principal activity
NexTech AR Solutions USA LLC	United States	100%	USD	Holding company
NexTech AR Solutions Inc. (formerly Jolokia Corporation)	United States	100%	USD	Technology services
AR Ecommerce LLC ("VCM") (1)	United States	100%	USD	E-Commerce platforms
Threedy.ai Inc	United States	100%	USD	Technology services
ARway Ltd.	England	100%	USD	Holding company
ARway Corporation ("ARway")	Canada	49%	CAD	Technology services
Toggle3D.ai Inc. ("Toggle")	Canada	45%	CAD	Technology services
Toggle 3D AR Solution India Private Limited	India	100%	CAD	India operations

(1) The Company has discontinued the operations of its eCommerce platforms. Note 7.

The Company obtained control over ARway and Toggle through its majority presentation on the board of directors in addition to its percentage of common share ownership.

e) Reclassification and change in presentation of comparative figures

Certain amounts on the statements of loss and comprehensive loss of the prior year comparable period have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

3. MATERIAL ACCOUNTING POLICY INFORMATION

a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less.

b) Inventory

Inventory consists solely of finished goods. Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost basis. The realizable value of finished goods is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory is written down to net realizable value.

c) Equipment

Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses. Equipment is amortized on a straight-line basis over five years.

Cost comprises the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with the future cost of dismantling and removing the asset. When parts of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. The cost of major overhauls of parts of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

d) Intangible assets and goodwill

Intangible assets are recognized and measured at cost. Intangible assets with finite useful lives are amortized using the straight-line method over the useful life of the asset. The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for intangible assets and any changes arising from the assessment are applied by the Company prospectively. The following table presents the Company's assessment of the useful lives of intangible assets:

Website	10 years
Customer relationships	5 - 10 years
Supplier relationships	5 - 10 years
Brand (Trademarks)	2 - 4 years
Technology	2 - 3 years

Goodwill is initially measured at cost, which is the excess of the cost of the business combination over the fair value of the acquiree's identifiable assets and liabilities. Any negative difference is recognized directly in profit or loss. After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the cash-generating unit or group of cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those segments.

e) Leases

Lease accounting for lessee

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received. The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method.

Lease accounting for lessor

As the lessor, the Company classifies lease arrangements as either operating or finance leases, depending upon evaluating whether the risks and rewards associated with the underlying asset have been substantially transferred to the lessee. When the lease is treated as an operating lease, the Company recognizes lease payments from operating leases as income on profit or loss. In the case of a finance lease, the Company derecognizes the underlying asset and presents the asset held under finance lease on the statement of financial position, represented as a receivable at an amount equal to the net investment in the lease, which is determined by discounting contractual lease payments. Any difference between the carrying value of the derecognized asset and the net investment in the lease is recorded in profit or loss. The net investment in the lease is subsequently measured at amortized cost using the effective interest method.

When acting as a sublessor, the Company adheres to the aforementioned accounting policy, with the sublease being classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

f) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators exist, then the asset's recoverable amount is estimated. The recoverable amounts of the following types of intangible assets are measured annually, whether or not there is any indication that it may be impaired:

- an intangible asset with an indefinite useful life;
- an intangible asset not yet available for use; and
- goodwill recognized in a business combination.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of comprehensive loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that impairment may have reversed. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

g) Financial instruments

<u>Classification</u>

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of its financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument-by-instrument basis) on the day of acquisition to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

A summary of the Company's classification of financial instruments under IFRS 9 *Financial Instruments* is as follows:

Financial instrument	**Classification**
Financial assets	
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Deferred consideration	Amortized cost
Financial liabilities	
Accounts payable and accrued liabilities	Amortized cost
Factoring liability	Amortized cost

<u>Measurement</u>

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are recognized in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in profit or loss. The Company does not have any FVTPL financial assets and liabilities.

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTOCI are recognized in other comprehensive income (loss). The Company does not have any FVTOCI financial assets.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses.

The Company recognize in the consolidated statements of income (loss) and comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

For the Company's trade receivables, the simplified approach for determining expected credit losses is used under IFRS 9, which requires the Company to determine the lifetime expected losses for all its trade receivables. The lifetime expected credit loss provision for the Company's trade receivables is based on historical default rates and other relevant forward-looking information.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the profit or loss.

h) Assets classified as held for sale

The Company classifies assets, or disposal groups, as held for sale when it expects to recover their carrying amounts through a sale of the assets. To meet the criteria to be classified as held for sale, the sale must be highly probable, and the assets or disposal groups must be available for immediate sale in their present condition. The Company must be committed to a plan to sell the assets, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The Company measures assets or disposal groups at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss; however, gains are not recognized in excess of any cumulative impairment loss. Upon classifying assets as held for sale, the Company presents the assets and the associated liabilities as a single amount on the consolidated statements of financial position. Comparative period balances are not restated. Assets held for sale are not depreciated, depleted, or amortized.

During the year ended December 31, 2022, the Company decided to divest its business line Infinite Pet and classified the business line's assets and liabilities as held for sale. The business line was fully disposed during the year ended December 31, 2023 (Note 7).

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

i) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the exchange, as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Under the guidance of IFRS 10 *Consolidated Financial Statements*, control is established by having power over the acquiree, exposure or rights to variable returns from the investor's involvement with the acquiree, and the ability to use its power over the acquiree to affect the amount of the acquirer's returns. The acquiree's identifiable assets, liabilities, and contingent liabilities are recognized at their fair value at the acquisition date. Goodwill is initially measured at cost being the excess of the purchase consideration of the business combination over the Company's share in the fair value of the acquiree's identifiable assets and liabilities. If the purchase consideration is less than the fair value of the identifiable net assets acquired, the difference is recognized directly in profit or loss.

j) Foreign currency transactions

For foreign currency transactions, the Company translates each transaction by applying the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of the reporting period, monetary assets and liabilities denominated in foreign currency are restated using the closing exchange rate at the reporting date, and non-monetary assets and liabilities measured at fair value are translated using the exchange rate at the date when fair value was measured. Exchange differences are recognized in profit or loss for the period in which they arise. However, if fair value changes for a non-monetary item measured at fair value are recognized in other comprehensive income, the exchange difference component of the change in fair value is recognized in other comprehensive income.

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at the closing exchange rate prevailing at the reporting date.
- Income and expenses are translated at the average exchange rate for the period.

Exchange differences arising from translation of foreign operations are recognized in other comprehensive income in the period.

k) Share-based payments

<u>Stock option plan</u>

The Company has a stock option plan, which allows grants of options to purchase common shares by the Company's directors, officers, employees, and consultants. These stock options are treated as equity-settled shared-based payment, with their fair value measured on the grant date and recognized as share-based compensation expense over the vesting period. The corresponding offset is recorded in reserves. The amount recognized as share-based compensation expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. The fair value of options granted to directors and employees is measured using the Black-Scholes option pricing model on the date of issuance. Consideration received on the exercise of stock options is recorded as share capital, and the amount previously recognized in reserves is transferred to share capital. For options that expire unexercised, the initial fair value recorded remains in reserves.

<u>Shares issued for services</u>

When the Company issues shares in exchange for services, the share issuance is treated as an equity-settled share-based payment. Company records an increase in share capital and the corresponding operating expense at the value of the services provided. If the value of the services cannot be reliably determined, the amount recognized equals the value of the shares, measured at the closing share price on the date of grant.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

l) Employee pay program

On July 12, 2022, the Company introduced an employee pay program for the purpose of maintaining a sustainable cash position by allowing the Company to pay for services through the issuance and sale of the Company's common shares. Under this program, the Company issues warrants with a specified exercise price to its employees. The warrants convert to common shares pursuant to services being completed by employees. Subsequently, a third-party program administrator completes the sale of the common shares, and the proceeds are used to facilitate cash disbursements in connection with employee services rendered. The employees are guaranteed an amount equal to the greater of (i) value of the common shares measured at their exercise price (the "cost of shares") and (ii) the proceeds from the sale of the common shares.

The Company recognizes salaries and wages expense as employees render services, with the offset recorded within accounts payable and accrued liabilities at an amount equal to the cost of shares. When the Company completes the sale of the common shares, it records an increase in share capital at the fair value of the shares. In cases where the common shares are sold below their cost, the Company compensates employees for the shortfall and recognizes a loss on the sale of common shares in employee pay program in profit or loss.

m) Valuation of equity units issued in private placements

The Company follows the residual method with respect to the measurement of common shares and common share purchase warrants issued as private placement units. Proceeds from private placements are first allocated to the common shares contained in the units based on the market value of shares on the date of issuance, with any residual amount allocated to warrants in the units. If the proceeds are less than or equal to the estimated fair market value of the share issuance, a nil carrying amount is assigned to the warrants. The value of warrants is recorded within reserves. Consideration received on the exercise of warrants is recorded as share capital, and the amount previously recognized in reserves is transferred to share capital. For warrants that expire unexercised, the initial fair value recorded remains in reserves.

Professional, consulting, regulatory, and other costs directly attributable to equity transactions are recorded as share issuance costs.

n) Revenue

The Company recognizes revenue in accordance with IFRS 15 *Revenue from Contracts with Customers*. Revenue represents the fair value on consideration received or receivable from customers for goods and services provided by the Company, net of discounts and sales taxes. The Company generates revenue from the sale of renewable software licenses and technology services. During the year ended December 31, 2022, the Company decided to discontinue its eCommerce segment.

<u>Renewable software licenses</u>

The Company sells software licenses on a specified term basis, with customer held options for renewal where the proceeds are considered to relate to the right to use the asset over the license period therefore revenue is recognized over that period. If it is determined that the license is not distinct from other performance obligations, revenue is recognized over time as the customer simultaneously receives and consumes the benefit.

<u>Technology Services</u>

For virtual events and technology services, the Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the service is distinct from some or all of the other services in the arrangement. A service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct services are combined with other services until they are distinct as a bundle and therefore form a single performance obligation. Recognition of revenue from contracts for virtual events and technology services is recognized over time based on the progress towards satisfying performance obligations.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Contract asset and deferred revenue

Contract asset

Contract asset represents the revenue which has not been billed but are expected to be billed and collected from customers for provision of services to date and is valued at estimated net realizable value and capitalized costs that are identifiable and specifically attributable to certain revenue contracts.

Deferred revenue

Billings in excess of time value incurred on work in progress in accordance with customer contracts, for which future services will be provided, are recognized as deferred revenue. The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

o) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income (loss) available to common shareholders by the weighted average number of shares issued and outstanding during the year. Diluted earnings (loss) per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, when a loss is incurred during the year, diluted and basic loss per share are the same because the effect on loss per share of potential issuance of shares under options and warrants would be anti-dilutive.

p) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the profit or loss. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

q) New accounting standards and interpretations

The Company adopted the following amendments to accounting standards, which are effective for annual periods beginning on or after January 1, 2023:

Disclosure of accounting policies - amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 *Presentation of financial statements* and IFRS Practice Statement 2 *Making materiality judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Definition of accounting estimates - amendments to IAS 8

The amendments to IAS 8 *Accounting policies*, *changes in accounting estimates and errors* clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Company's financial statements.

Deferred tax related to assets and liabilities arising from a single transaction - amendments to IAS 12

The amendments to IAS 12 *Income Taxes* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Company's financial statements.

The Company has not early adopted any other new accounting standard, interpretation or amendment that has been issued but is not yet effective.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINITY

The preparation of the Company's financial statements and applying its accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these judgments, assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The judgements, key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

a) Determination of functional currency

The functional currency for the Company and each of its subsidiaries is the currency of the primary economic environment in which each entity operates. Determination of functional currency involves certain judgements to determine the primary economic environment of an entity. The Company reassesses the functional currency of an entity when there is a change in events and conditions which previously determined the primary economic environment of an entity.

b) Classification as assets held for sale

Judgment is required in determining if non-current assets (and disposal groups) meet the criteria for classification as assets and liabilities held for sale in the consolidated statements of financial position. Criteria considered by management include the existence of and commitment to a plan to dispose the assets, if the expected selling price is reasonable, the expected timeframe of the completion of the anticipated sale, and the length of time any amounts have been classified as assets held for sale. The determination of the carrying amount of assets held for sale involves estimating fair value less costs to sell, which is subject to estimation uncertainty.

c) Assessment of the transactions as business combinations or asset acquisitions

Management has had to apply judgment relating to an acquisition with respect to whether the acquisition is a business combination or an asset acquisition. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes, and outputs of the acquisition in order to reach a conclusion. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits.

d) Valuation of net assets acquired in business combinations

Estimates were made as to the fair value of assets and liabilities acquired in business combinations. In certain circumstances, such as the valuation of equipment and intangible assets, the Company will rely on independent third-party valuators. The Company measured all assets acquired and liabilities assumed at their acquisition-date fair values.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINITY (continued)

e) Review of asset carrying values and impairment assessment

The assessment of the fair value of equipment, intangible assets, and goodwill requires the use of estimates and assumptions for recoverable service costs, customer demands, discount rates, foreign exchange rates, future capital requirements, and operating performance. Changes in any of the estimates or assumptions used in determining the fair values could impact the impairment analysis.

Each asset or CGU is evaluated every reporting period to determine whether there are any indicators of impairment. If any such indicators exist, which is often judgment-based, a formal estimate of the recoverable amount is performed, and an impairment charge is recognized to the extent that the carrying amount exceeds the recoverable amount.

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, technological obsolescence, competitive landscape, regulatory changes as well as operation budgets and forecasts.

The determination of fair value less costs to sell and value in use requires management to make estimates and assumptions about expected production, sales contract volumes, service costs and contract prices, discount rates, operating costs, taxes, and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reversed with the impact recorded in profit or loss.

f) Share-based payments

Management is required to make a number of estimates when determining the fair value of the stock options and share-based compensation to be recognized each reporting period. These estimates include assumptions about volatility of share price, risk-free rate and expected life of the instruments.

g) Revenue recognition

The Company derives its revenue from provision of technology services for virtual events which include the grant to use licenses, set up of the events and renewable software licenses which includes revenue from software licenses which is recognized over the term of the agreement. The assessment of whether such services are separately identifiable performance obligations and the allocation of the total price among the performance obligations requires judgement from management.

h) Research and development costs

Research costs are expensed as incurred, while development costs are potentially eligible for capitalization as intangible assets if specific conditions outlined in IAS 38 *Intangible Assets* are met. Management is required to exercise judgment in determining whether development costs qualify for capitalization. Following management's assessment, it has been determined that the development costs incurred do not meet the criteria for capitalization as specified in IAS 38. Consequently, all research and development costs have been expensed.

i) Deferred income tax assets and liabilities

The valuation of deferred tax assets and liabilities requires the Company to estimate the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities. The Company applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

5. SPINOUT TRANSACTIONS

On October 26, 2022, the Company successfully completed the spinout of ARway, trading on the CSE under the symbol "ARWY". ARway specializes in offering a no-code spatial mapping platform for the metaverse, an immersive virtual environment.

As part of the spinout of ARway, ARway issued a total of 26,629,552 common shares ("ARway shares"). Of the ARway shares issued, 19,999,900 were issued in exchange for intangible assets of the Company with a carrying value of $448,293 and 6,629,552 were issued to non-controlling interest for cash proceeds of $1,657,389. The Company transferred 7,000,000 ARway shares to its shareholders with a fair value of $1,000,000 as a distribution to shareholders.

On June 13, 2023, the Company completed its spinout of Toggle, an AI-powered 3D design studio, which began trading on the CSE under the symbol "TGGL".

As part of the spinout of Toggle, Toggle issued a total of 28,632,473 common shares ("Toggle shares"). Of the Toggle shares issued, 19,999,900 were issued to the Company in exchange for intangible assets of the Company and 8,632,473 were issued to the non-controlling interest for cash proceeds of $2,158,356. The Company transferred 4,000,000 Toggle shares to its shareholders with a fair value of $1,000,000 as a distribution to shareholders, and 3,000,000 Toggle shares with a fair value of $750,000 as compensation for services.

6. CASH AND CASH EQUIVALENTS

a) Cash held in guaranteed investment certificates

As at December 31, 2023, cash and cash equivalents included $700,000 held in guaranteed investment certificates ("GICs") with an annual interest rate of 4.95% (December 31, 2022 - $1,676,981 at 1.82%). During the year ended December 31, 2023, interest income from GICs was $103,382 (2022 - $97,688) and is included in revenue (Note 17(a)).

b) Cash held in relation to employee pay program

As at December 31, 2023, in connection with the employee pay program, the Company had cash held in a trust account of $847 (December 31, 2022 - $4,049). The cash does not earn interest and is used to pay salaries and wages.

7. DISCONTINUED OPERATIONS

On June 16, 2022, the Company announced the winding down of its eCommerce businesses to focus on augmented reality solutions. This resulted in VCM and Infinite Pet ("PET") being classified as discontinued operations. On March 9, 2023, the Company completed the sale of PET to a third party for total purchase consideration of $206,850 (US$150,000). The purchase consideration is to be paid to the Company in cash each month from 50% profits generated by PET after closing of the sale until the purchase price is fully paid. The purchase consideration is presented as deferred consideration on the consolidated statements of financial position. Prior to the sale, PET had goodwill of $184,097. During the year ended December 31, 2023, the goodwill was impaired to $nil.

As at December 31, 2023, the purchase consideration remains unpaid and is presented as deferred consideration in the Consolidated Statement of Financial Position.

(Expressed in Canadian dollars, except where noted)

7. DISCONTINUED OPERATIONS (continued)

A summary of the Company's results of discontinued operations for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Revenue	**29,053**	8,267,178
Cost of sales	**(50,557)**	(5,169,781)
Gross profit (loss)	**(21,504)**	3,097,397
Operating expenses		
Sales and marketing	**12,093**	2,204,939
General and administrative	**52,154**	1,935,590
Amortization of right-of-use asset	**-**	184,196
Depreciation	**-**	20,637
Operating loss	**(85,751)**	(1,247,965)
Other expenses		
Foreign exchange loss	**(9,432)**	(93,146)
Impairment of intangible assets and goodwill	**(184,097)**	(2,702,313)
Loss on disposal of PET	**(173,534)**	-
Loss before tax from discontinued operations	**(452,814)**	(4,043,424)
Income tax expense	**-**	-
Net loss from discontinued operations	**(452,814)**	(4,043,424)

A summary of the Company's cash flows from discontinued operations for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Cash (used in) provided by operating activities	**(38,959)**	1,289,545
Cash used in investing activities	**-**	(24,516)
Cash used in financing activities	**-**	(245,620)
	(38,959)	1,019,409

A summary of the Company's loss on disposal of PET as at March 9, 2023 is as follows:

	$
Assets:	
Cash	39,519
Receivables	31,425
Inventory	408,010
Liabilities:	
Accounts payable and accrued liabilities	98,570
Net assets	380,384
Deferred consideration	206,850
Loss on disposal of PET	**(173,534)**

(Expressed in Canadian dollars, except where noted)

8. RECEIVABLES

A summary of the Company's receivables is as follows:

	December 31, 2023	December 31, 2022
	$	$
GST receivables	**66,118**	71,750
Other receivables	**-**	133,718
Trade receivables	**291,280**	538,863
	357,398	744,331

9. EQUIPMENT

A summary of the Company's equipment is as follows:

	Computer equipment	**Trade show equipment**	**Office furniture and equipment**	**Total**
	$	$	$	$
Cost				
Balance, December 31, 2021	370,074	16,440	251,761	638,275
Additions	96,763	-	5,021	101,784
Write-off	(22,253)	-	(91,531)	(113,784)
Currency translation effects	16,680	-	35,298	51,978
Balance, December 31, 2022	461,264	16,440	200,549	678,253
Additions	219,208	-	8,042	227,250
Write-off	(156,352)	(16,440)	(122,908)	(295,700)
Currency translation effects	(13,963)	-	(1,744)	(15,707)
Balance, December 31, 2023	**510,157**	**-**	**83,939**	**594,096**
Accumulated depreciation				
Balance, December 31, 2021	120,843	12,331	127,859	261,033
Depreciation	91,057	3,288	49,222	143,567
Write-off	(10,899)	-	(30,942)	(41,841)
Currency translation effects	32,892	-	4,139	37,031
Balance, December 31, 2022	233,893	15,619	150,278	399,790
Depreciation	74,758	821	12,245	87,824
Write-off	(81,109)	(16,440)	(112,472)	(210,021)
Currency translation effects	(7,701)	-	(1,429)	(9,130)
Balance, December 31, 2023	**219,841**	**-**	**48,622**	**268,463**
Carrying value				
Balance, December 31, 2022	227,371	821	50,271	278,463
Balance, December 31, 2023	**290,316**	**-**	**35,317**	**325,633**

(Expressed in Canadian dollars, except where noted)

10. LEASES

The Company entered lease agreements for an office space and a warehouse space. The present value of future lease payments was measured using an incremental borrowing rate of 6% per annum. During the year ended December 31, 2023, the office lease expired and was not renewed. As at December 31, 2023, the lease liability solely pertains to the warehouse lease.

In March 2023, the Company entered into a sublease agreement to re-lease the warehouse which is leased by the Company to a third party. The sublease commenced on April 1, 2023 and expires on June 20, 2028. The Company classified this sublease as a finance lease, leading to the derecognition of the right-of-use asset with a carrying value of $778,350. Accordingly, the Company recognized a net investment in the sublease of $898,976, calculated as the present value of future lease payments at a 6% discount rate, corresponding to the Company's incremental borrowing rate applied to the head lease. The Company reported a gain of $120,626 in profit or loss upon recognizing the sublease.

A summary of the Company's right-of-use asset is as follows:

	$
Balance, December 31, 2021	1,079,319
Amortization	(261,101)
Currency translation effects	11,060
Balance, December 31, 2022	829,278
Amortization	(55,728)
Derecognition	(778,350)
Currency translation effects	4,800
Balance, December 31, 2023	**-**

A summary of the Company's lease liability is as follows:

	$
Balance, December 31, 2021	1,077,112
Interest recovery	(28,668)
Lease payments	(360,136)
Currency translation effects	116,528
Balance, December 31, 2022	804,836
Interest expense	30,217
Lease payments	(203,762)
Currency translation effects	(17,945)
Balance, December 31, 2023	**613,346**
Current portion	143,722
Non-current portion	469,624

A summary of the Company's future lease payments is as follows:

	$
2024	183,066
2025	188,558
2026	194,216
2027	200,049
2028	101,504
Total undiscounted lease liability	867,393
Effects of discounting	(254,047)
Balance, December 31, 2023	**613,346**

Interest expense from leases for the year ended December 31, 2023 was $30,217 (2022 - interest recovery of $28,668).

(Expressed in Canadian dollars, except where noted)

10. LEASES (continued)

A summary of the Company's net investment in sublease is as follows:

	$
Balance, December 31, 2022 and 2021	-
Additions	898,976
Interest income	39,903
Lease payments	(66,554)
Currency translation effects	(29,409)
Balance, December 31, 2023	**842,916**
Current portion	199,933
Non-current portion	642,983

A summary of the Company's future minimum sublease receipts is as follows:

	$
2024	199,933
2025	205,931
2026	212,109
2027	218,472
2027	111,688
Total undiscounted lease receivables	948,133
Effects of discounting	(105,217)
Balance, December 31, 2023	**842,916**

Interest income from the sublease for the year ended December 31, 2023 was $39,903 (2022 - $nil) and was recorded within revenue in profit or loss.

(Expressed in Canadian dollars, except where noted)

11. INTANGIBLE ASSETS AND GOODWILL

a) Intangible assets

A summary of the Company's intangible assets is as follows:

	Customer relationship	Supplier relationship	Brand	Technology	Total
	$	$	$	$	$
Cost					
Balance, December 31, 2021	1,432,146	313,409	1,142,281	6,510,811	9,398,647
Impairment	(241,781)	(318,551)	(1,034,622)	(708,730)	(2,303,684)
Disposals	-	-	-	(709,903)	(709,903)
Currency translation effects	90,002	5,142	14,547	394,255	503,946
Balance, December 31, 2022	1,280,367	-	122,206	5,486,433	6,889,006
Currency translation effects	(30,062)	-	2,559	(134,245)	(161,748)
Balance, December 31, 2023	**1,250,305**	**-**	**124,765**	**5,352,188**	**6,727,258**
Accumulated amortization					
Balance, December 31, 2021	489,874	94,023	775,032	1,619,784	2,978,713
Amortization	280,253	15,928	171,918	2,187,553	2,655,652
Impairment	(137,230)	(110,523)	(854,916)	(642,538)	(1,745,207)
Disposals	-	-	-	(272,119)	(272,119)
Currency translation effects	(17,268)	572	1,529	(26,607)	(41,774)
Balance, December 31, 2022	615,629	-	93,563	2,866,073	3,575,265
Amortization	265,737	-	34,103	1,805,849	2,105,689
Impairment	388,887	-	-	768,989	1,157,876
Currency translation effects	(19,948)	-	(2,901)	(88,723)	(111,572)
Balance, December 31, 2023	**1,250,305**	**-**	**124,765**	**5,352,188**	**6,727,258**
Carrying value					
Balance, December 31, 2022	664,738	-	28,643	2,620,360	3,313,741
Balance, December 31, 2023	**-**	**-**	**-**	**-**	**-**

During the year ended December 31, 2023, the Company identified impairment indicators and, subsequently, estimated the recoverable amount of its intangible assets, as such it has recognized an impairment loss of $1,157,876. On June 16, 2022, the Company announced it would wind down its legacy eCommerce operations which includes vacuumcleanermarket.com, trulyfesupplements.com and infinitepetlife.com as well as the plan to sell PET. This change resulted in an impairment of $558,477 for intangible assets attributed to eCommerce operations during the year ended December 31, 2022.

b) Goodwill

A summary of the Company's goodwill is as follows:

	$
Balance, December 31, 2021	8,790,529
Impairment	(2,619,949)
Currency translation effects	575,798
Balance, December 31, 2022	6,746,378
Impairment	(6,601,484)
Currency translation effects	(144,894)
Balance, December 31, 2023	**-**

On an annual basis, the Company estimates the recoverable amount of goodwill based on value-in-use method of the cash-generating units that the goodwill is attributed to. On March 9, 2023, the Company completed the sale of PET which resulted in a goodwill impairment of $184,097. Additionally, the Company recognized goodwill impairment of 6,417,387 after the estimation of the recoverable amount. During the year ended December 31, 2022, the sale of legacy eCommerce operations resulted in a goodwill impairment of $2,619,949.

(Expressed in Canadian dollars, except where noted)

11. INTANGIBLE ASSETS AND GOODWILL (continued)

The key assumptions used in the calculations of the recoverable amounts include sales growth per year, changes in cost of sales and capital expenditures based on internal forecasts. Cash flows were projected out five years and a terminal value was calculated using a long-term steady growth of 3%-5%. A discount rate of 25% was used.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A summary of the Company's accounts payable and accrued liabilities is as follows:

	December 31, 2023	December 31, 2022
	$	$
Accounts payables	**2,380,792**	1,218,898
Accrued liabilities	**1,150,668**	1,423,020
	3,531,460	2,641,918

13. FACTORING LIABILITY

In March 2023, the Company entered into a trade receivables factoring agreement ("Factoring Agreement") with a third-party factoring company. The Factoring Agreement allows the Company to receive in advance $2,429,789 (US$1,805,766), which is repaid with the sale of future trade receivables from a regular customer of the Company.

The trade receivables from the customer are transferred to the third-party factoring company upon invoicing to the customer of the performance obligations rendered for a determined period.

A summary of the Company's factoring liability is as follows:

	$
Balance, December 31, 2022 and 2021	-
Addition	2,429,789
Interest expense	285,433
Settlements	(2,708,436)
Currency translation effects	(6,786)
Balance, December 31, 2023	**-**

During the year ended December 31, 2023, the Company made settlements of factoring liability through the transfer of $2,708,436 (2022 - $nil) of accounts receivable. During the year ended December 31, 2023, the Company incurred interest expense of $285,433 (2022 - $nil), which was included in general and administrative expense (Note 18(c)).

14. SHARE CAPITAL

a) Authorized

The Company is authorized to issue unlimited number of common shares with no par value.

b) Share capital

During the year ended December 31, 2023, the Company had the following share transactions:

- In January 2023, the Company closed a private placement in which the Company issued 3,614,457 units for gross proceeds of $3,000,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at an exercise price of $1.03 until January 31, 2025. Applying the residual method, fair value of $2,783,134 was allocated to share capital and $216,867 was allocated to reserves.
- In connection with the private placement in January 2023, the Company paid a broker transaction fee of $354,617 in cash and granted 253,011 warrants with a fair value of $101,787. Each warrant entitles the holder to acquire one common share at an exercise price of $0.83 until January 31, 2025.

14. SHARE CAPITAL (continued)

- On July 25, 2023, the Company closed a private placement in which the Company issued 5,812,390 units for gross proceeds of $2,441,203. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at an exercise price of $0.52 until July 25, 2026. Applying the residual method, fair value of $2,266,830 was allocated to share capital and $174,373 was allocated to reserves.
- In connection with the private placement in July 2023, the Company paid brokers transaction fees of $308,526 in cash, granted 178,571 units and granted 467,133 warrants with a fair value of $19,371. The warrants issued to the brokers are exercisable at $0.52 until July 25, 2026.
- On July 25, 2023, the Company issued 250,000 units to the Chief Executive Officer (the "CEO") of the Company as remuneration for past services provided by the CEO, pursuant to a contractor agreement (Note 16). Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at an exercise price of $0.52 until July 25, 2026. Applying the residual method, fair value of $97,500 was allocated to share capital and $7,500 to reserves.
- On November 29, 2023, the Company closed three tranches of a private placement in which the Company issued 9,157,722 units for gross proceeds of $1,098,927. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at an exercise price of $0.17 for 36 months after the issuance date.
- In connection with the private placement on November 29, 2023, the Company paid brokers transaction fees of $40,521 in cash and granted 337,680 warrants with a fair value of $27,806. The warrants issued to the brokers are exercisable at $0.12 for 36 months after the issuance date and had the fair value of $27,806 at grant date.
- The Company issued 601,666 common shares as payment for investor relations expense of $474,250. The fair value of the common shares was determined by reference to the fair value of the services provided.
- The Company issued 4,445,938 common shares upon the exercise of 4,445,938 warrants related to the employee pay program. Of the common shares issued, 4,688,304 shares, with share price between $0.55 and $0.80, were sold for cash proceeds of $2,269,704.

During the year ended December 31, 2022, the Company had the following share transactions:

- The Company issued in total 1,454,420 shares with a fair value of $1,313,971 for shares for services.
- The Company issued 2,972,176 shares with a fair value of $2,496,628 as part of the employee pay program.
- On January 25, 2022, the Company raised $10,000,000 in total gross proceeds ($8,936,496 net of issuance costs) and by issuing 8,130,182 common shares and warrants to purchase up to an aggregate of 8,130,182 common shares at a purchase price of $1.23 per common share and associated warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $1.54 for a period of three years following the issuance date. In connection with the closing, 650,407 warrants with an exercise price of $1.5375 were issued to a broker. The fair value of the broker warrants was $21,772.

c) Employee pay program

During the year ended December 31, 2022, as part of the employee pay program, the Company granted 6,814,591 warrants to its employees. Each warrant has exercise price of $0.84 and matures on July 13, 2023. As at December 31, 2023, all of these warrants have been converted into common shares.

On August 25, 2023, the Company granted 6,275,062 warrants to its employees. Each warrant has exercise price of $0.55 and matures on August 25, 2024. As at December 31, 2023, none of these warrants have been converted into common shares.

(Expressed in Canadian dollars, except where noted)

14. SHARE CAPITAL (continued)

d) Warrants

A summary of the Company's warrants is as follows:

	Number of warrants	Weighted average exercise price
	#	$
Balance, December 31, 2021	4,411,264	4.00
Granted	15,892,597	1.23
Expired	(3,616,002)	0.84
Balance, December 31, 2022	16,687,859	1.69
Granted	26,346,026	0.47
Exercised	(4,445,938)	0.83
Expired	(1,703,856)	5.84
Balance, December 31, 2023	**36,884,091**	**0.80**

The weighted average share price on the date of exercise for warrants exercised during the year ended December 31, 2023 was $0.83 (2022 - $nil).

A summary of the Company's outstanding warrants is as follows:

Expiry date	Number	Weighted average exercise price	Weighted average remaining life
	#	$	Years
August 25, 2024	6,275,062	0.55	0.65
November 3, 2024	1,757,576	1.94	0.84
January 25, 2025	8,780,489	1.54	1.07
January 31, 2025	3,867,468	1.02	1.09
July 25, 2026	6,708,094	0.52	2.57
November 10, 2026	5,300,360	0.17	2.86
November 24, 2026	3,815,722	0.17	2.90
November 29, 2026	379,320	0.17	2.92
	36,884,091	**0.80**	**1.73**

e) Stock options

A summary of the Company's outstanding and exercisable options is as follows:

	Number of stock options	Weighted average exercise price
	#	$
Balance, December 31, 2021	3,924,900	2.69
Granted	29,789,649	0.73
Expired	(17,761,052)	1.14
Balance, December 31, 2022	15,953,497	0.76
Granted	850,000	0.58
Forfeited	(221,200)	0.60
Expired	(1,006,345)	1.50
Balance outstanding, December 31, 2023	**15,575,952**	**0.56**
Balance exercisable, December 31, 2023	**1,820,000**	**0.59**

During the year ended December 31, 2023, the Company granted 850,000 options to its employees as share-based compensation. These options vest in five equal tranches, with the first tranche vesting six months after the grant date. The fair value of all options granted is estimated on the grant date using the Black-Scholes option pricing model.

(Expressed in Canadian dollars, except where noted)

14. SHARE CAPITAL (continued)

Included in the outstanding options are 11,956,152 options granted to the CEO of the Company on June 20, 2022. These options have exercise price of $0.55 with maturity of five years and only become exercisable when specific market capitalization milestones are achieved. There are twelve such milestones, and upon the achievement of each milestone, 996,346 options will vest. In addition, it is a requirement that the CEO remains in the same position when each milestone is achieved for the options to vest. Due to the implied service condition associated with the options, they are considered vesting throughout the entire five-year duration of the options.

The weighted average fair value of options granted during the year ended December 31, 2023 was $0.58 (2022 - $0.75).

A summary of the Company's outstanding options is as follows:

Expiry date	**Number of options outstanding**	**Number of options exercisable**	**Weighted average exercise price**	**Weighted average remaining life**
	#	#	$	Years
January 18, 2024 (Note 25)	60,000	60,000	0.55	0.05
January 21, 2024 (Note 25)	20,800	20,800	0.55	0.06
January 25, 2024 (Note 25)	1,000	1,000	0.73	0.07
February 2, 2024 (Note 25)	6,000	6,000	1.23	0.09
February 8, 2024 (Note 25)	1,000	1,000	0.73	0.11
March 14, 2024 (Note 25)	14,000	14,000	0.55	0.20
November 1, 2024	25,000	20,000	1.92	0.84
May 20, 2025	100,000	60,000	0.50	1.39
June 20, 2025	2,532,000	1,519,200	0.55	1.47
November 1, 2025	50,000	20,000	1.23	1.84
February 8, 2026	400,000	80,000	0.80	2.11
March 31, 2026	70,000	14,000	0.73	2.25
June 1, 2026	20,000	4,000	0.65	2.42
September 12, 2026	20,000	-	0.36	2.70
September 28, 2026	300,000	-	0.26	2.75
June 20, 2027	11,956,152	-	0.55	3.47
	15,575,952	**1,820,000**	**0.56**	**3.04**

A summary of the Company's weighted average inputs used in the Black-Scholes option pricing model for stock options granted during the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Share price	**$0.58**	$1.00
Exercise price	**$0.58**	$0.75
Risk-free interest rate	**4.16%**	2.43%
Expected life	**3 years**	4.5 years
Expected volatility	**102%**	123%
Expected annual dividend yield	**0%**	0%

Included in the share-based compensation expense is the amount from stock options granted to the non-controlling interest of ARway and Toggle as part of their option plans. During the year ended December 31, 2023, $1,775,695 (2022 - $1,715,690) was recognized as share-based compensation from vested options.

A summary of the Company's share-based compensation expense by function for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Cost of sales	**12,574**	2,904
Sales and marketing	**343,923**	34,091
General and administrative	**1,001,896**	1,568,463
Research and development	**417,302**	110,232
	1,775,695	1,715,690

(Expressed in Canadian dollars, except where noted)

15. NON-CONTROLLING INTEREST

A summary of the Company's non-controlling interest is as follows:

	ARway	Toggle	Total
	$	$	$
Balance, December 31, 2021	-	-	-
Distribution to shareholders	1,000,000	-	1,000,000
Shares issued for services	625,000	-	625,000
Share-based compensation	138,983	-	138,983
Other net changes in capitalization	848,266	-	848,266
Net loss attributed to non-controlling interest	(438,201)	-	(438,201)
Balance, December 31, 2022	2,174,048	-	2,174,048
Shares issued for employee pay program	(121,890)	(108,629)	(230,519)
Distribution to shareholders	-	1,750,000	1,750,000
Share-based compensation	652,471	252,185	904,656
Other net changes in capitalization	239,068	1,270,792	1,509,860
Net loss attributed to non-controlling interest	(1,654,245)	(497,750)	(2,151,995)
Balance, December 31, 2023	**1,289,452**	**2,666,598**	**3,956,050**

16. RELATED PARTY TRANSACTIONS AND BALANCES

The Company entered into a number of transactions with key management personnel that have the authority and responsibility for the planning, directing and controlling of the activities of the Company. The Company considers the executive officers and directors as the key management of the Company.

A summary of the transactions with key management personnel for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Compliance fees included in general and administrative	**37,152**	34,073
Management fees included in general and administrative	**1,063,197**	1,100,006
Salaries of the Chief Financial Officer included in general and administrative	**213,000**	225,465
Share-based compensation	**1,905,337**	1,713,250
	3,218,686	3,072,794

The Company has an agreement with the CEO in which the Company will compensate the CEO for management services on monthly basis, combining cash and share issuance over a five-year term until April 1, 2027. As at December 31, 2023, accounts payable and accrued liabilities included $939,532 owed to the CEO (December 31, 2022 - $227,867). The amounts are non-secured, non-interest bearing, payable on demand and represent the value of shares to be issued to the CEO.

17. REVENUE FROM CONTRACTS WITH CUSTOMERS

a) Revenue disaggregation

A summary of the Company's revenue disaggregation by service for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Technology services	**125,236**	180,296
Renewable software licenses	**4,764,681**	2,849,171
Other revenue	**143,285**	195,324
	5,033,202	3,224,791

For the year ended December 31, 2023, other revenue is comprised of interest income of $103,382 earned from the GICs (2022 - $97,688) and interest income of $39,903 earned from the sublease (2022 - $nil).

(Expressed in Canadian dollars, except where noted)

17. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

For the year ended December 31, 2023, the renewable software licenses revenue stream has one customer who contributed 56.1% (2022 - 22.0%) of total revenue.

b) Deferred revenue

A summary of the Company's deferred revenue is as follows:

	$
Balance, December 31, 2021	609,001
Revenue recognized	(520,772)
Revenue deferred	349,517
Balance, December 31, 2022	437,746
Revenue recognized	(1,195,058)
Revenue deferred	1,108,588
Currency translation effects	(9,084)
Balance, December 31, 2023	**342,192**

c) Contract asset

A summary of the Company's contract asset is as follows:

	$
Balance, December 31, 2021	386,202
Contract asset billed	(295,326)
Additions related to technology services	498,139
Balance, December 31, 2022	589,015
Contract asset billed	(534,778)
Currency translation effects	(2,917)
Balance, December 31, 2023	**51,320**

18. EXPENSES BY NATURE

The Company presents operating expenses by function with the exception of amortization, depreciation, and share-based compensation. A summary of the Company's operating expenses by nature is as follows:

a) Cost of sales

A summary of the Company's cost of sales for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Consulting fees	**836,484**	63,437
Employee benefits	**4,044**	28,093
Salaries, wages, and commissions	**2,745,634**	1,501,546
	3,586,162	1,593,076

(Expressed in Canadian dollars, except where noted)

18. EXPENSES BY NATURE (continued)

b) Sales and marketing

A summary of the Company's sales and marketing expense for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Advertising	**524,845**	763,484
Consulting fees	**278,821**	573,930
Employee benefits	**64,840**	71,281
Investor relations	**1,510,479**	923,072
Management fees	**-**	289,911
Salaries, wages, and commissions	**1,999,027**	1,974,032
Software and other expenses	**168,490**	417,657
	4,546,502	5,013,367

c) General and administrative

A summary of the Company's general and administrative expense for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Compliance fees	**420,847**	876,500
Computer, software and maintenance	**857,798**	1,162,529
Consultant fees	**304,704**	216,606
Employee benefits	**776,736**	757,562
Interest expense	**315,650**	28,668
Management fees	**1,063,197**	1,994,845
Professional fees	**1,862,676**	1,868,970
Salaries and wages	**2,610,183**	5,453,251
Office, general and other expenses	**1,150,819**	1,018,644
	9,362,610	13,377,575

d) Research and development

A summary of the Company's research and development expense for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Consulting fees	**966,756**	1,342,478
Employee benefits	**66,583**	81,076
Salaries and wages	**1,481,662**	1,751,162
Platform, maintenance and other expenses	**734,798**	717,492
	3,249,799	3,892,208

19. SEGMENT INFORMATION

The Chief Operating Decision Maker ("CODM") of the Company has been identified as the Chief Financial Officer, who makes strategic decisions and allocates resources based on the information available by operating segment. The CODM determines the reportable segments of the Company based on the availability of discrete financial results and the nature of operations relating to each operating segment. The CODM identified three reportable segments being 1) the eCommerce platforms, 2) the technology services provided for eCommerce, virtual events, higher education and advertising, and 3) general corporate activities.

(Expressed in Canadian dollars, except where noted)

19. SEGMENT INFORMATION (continued)

During the year ended December 31, 2022, the Company decided to discontinue the eCommerce platforms, resulting in this segment being reported as discontinued operations (Note 7). As at December 31, 2023, the Company's sole continuing operation that generates revenue is technology services.

20. INCOME TAX EXPENSE

a) Income tax recovery

A summary of the Company's income tax recovery (expense) for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Current tax expense	**-**	34,937
Deferred tax recovery	**(29,974)**	(672,148)
Income tax recovery	**(29,974)**	(637,211)

A summary of the Company's reconciliation of income taxes at statutory rates for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Loss before taxes	**(27,291,516)**	(23,972,113)
Canadian statutory income tax rate	**27%**	27%
Income tax recovery at statutory rate	**(7,368,709)**	(6,472,471)
Permanent differences	**4,197,324**	(353,507)
Change due to differences in tax rates	**100,561**	351,127
Provision for uncertainty and valuation allowance	**4,541,306**	6,527,543
Current tax adjustment	**(219,639)**	-
Deferred tax adjustment	**3,437**	(91,916)
Others	**(1,284,254)**	(597,987)
Income tax recovery	**(29,974)**	(637,211)

b) Deferred income taxes

A summary of the Company's significant components of deferred tax liabilities is as follows:

	December 31, 2023	December 31, 2022
	$	$
Deferred income tax asset (liability)		
Share issuance costs	**651,230**	709,468
Non-capital losses in India	**18,672**	-
Non-capital losses in United States	**5,880,217**	4,241,757
Non-capital losses in Canada	**15,153,828**	12,632,908
Equipment	**1,025,530**	1,955,552
Intangible assets	**3,770,761**	(699,303)
Bad debt expense	**448**	358
Accrued expenses	**21,207**	67,930
R&D credits	**64,617**	63,575
Unrealized foreign exchange	**(499)**	7,635
Right of use asset	**-**	175,118
Lease liability	**-**	(169,176)
Other	**9,989**	-
Unrecognized deferred income tax asset	**(26,596,000)**	(19,015,796)
Net deferred income tax liability	**-**	(29,974)

(Expressed in Canadian dollars, except where noted)

20. INCOME TAX EXPENSE (continued)

Deferred tax assets that are probable to be utilized are offset if they relate to the same taxable entity and same taxation authority.

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	December 31, 2023	**Expiry date range**	December 31, 2022	Expiry date range
Temporary differences				
Equipment	**3,799,729**	**No expiry date**	3,704,651	No expiry date
Intangible assets	**13,974,610**	**No expiry date**	4,348,393	No expiry date
Share issuance costs	**2,411,963**	**2043 to 2047**	2,627,659	2042 to 2046
Non-capital losses in the United States	**34,104,842**	**No expiry date**	31,161,589	No expiry date
Non-capital losses in Canada	**56,188,691**	**2037 to 2043**	46,794,743	2037 to 2042
Non-capital losses in India	**74,687**	**2031**	-	-
Others	**111,300**	**No expiry date**	628,824	No expiry date
	110,665,822		89,265,859	

21. SUPPLEMENTAL CASH FLOW DISCLOSURES

A summary of the Company's supplemental cash flow disclosures for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
	$	$
Non-cash share issuance costs	**218,607**	21,772
Distribution of equity interest to non-controlling interest	**1,750,000**	1,000,000
Proceeds from securities issued to non-controlling interest:		
Proceeds from share issuance for the spin out of ARway	**-**	1,657,354
Proceeds from employee pay program in ARway	**262,352**	-
Proceeds from exercise of ARway's warrants	**223,785**	-
Proceeds from share issuance for the spin out of Toggle	**2,229,579**	-
Proceeds from employee pay program in Toggle	**97,391**	-
	2,813,107	1,657,354

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2023, the Company's financial assets and liabilities include cash and cash equivalents, receivables, deferred consideration, accounts payable and accrued liabilities, and factoring liability. These instruments were classified as amortized cost.

The carrying values of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their fair values because of their short-term nature.

The Company is exposed to certain financial risks through its financial instruments. The risk exposures and the impact on the Company's financial instruments are summarized below.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company is exposed to credit risk through its cash and cash equivalents, trade receivables, and contract asset. The Company mitigates credit risk related to cash by placing cash with sound financial institutions. For sales contracts, trade receivables and deferred consideration, the Company trades with recognized creditworthy third parties and regularly reviews the collectability of its accounts receivable. As at December 31, 2023, trade receivables totaling $291,280 are attributed to a single customer.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's main source of cash resources is through equity financing. The Company's financial obligations are limited to its current liabilities which have contractual maturities of less than one year and lease liabilities that have a fixed schedule of payment.

As at December 31, 2023, the Company had cash and cash equivalents of $907,847 (December 31, 2022 - $3,777,117) and working capital deficit of $2,206,405 (December 31, 2022 - working capital of $2,573,400).

c) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and a portion of the Company's expenses are incurred in USD. A significant change in the currency exchange rates between the Canadian dollar relative to the USD could affect the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As at December 31, 2023, the Company is exposed to currency risk through cash and cash equivalents, receivables, deferred consideration and accounts payable denominated in USD. A 10% change in exchange rate could increase or decrease the Company's net loss by $84,793.

d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Management believes that interest rate risk is low as there is no financial asset or liability that has a variable interest rate, and the majority of the Company's investments are made in highly liquid instruments.

23. CAPITAL MANAGEMENT

The Company's definition of capital includes equity, comprising share capital, reserves, accumulated other comprehensive income, deficit and non-controlling interest. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. As at December 31, 2023, the Company had shareholders' deficiency of $1,500,563 (December 31, 2022 - shareholders' equity of $13,128,700).

The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business. The Company obtains funding primarily through equity issuance. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. There were no changes to the Company's approach to capital management during the year ended December 31, 2023.

As at December 31, 2023, the Company was not subject to any externally imposed capital requirements.

24. CONTINGENT LIABILITY

During the year ended December 31, 2020, the Company has received a legal claim against the Company in respect of the acceleration term on the right to exercise certain warrants. As at December 31, 2023, the claim remains at the preliminary stage. It is premature to determine the outcome of this claim.

25. SUBSEQUENT EVENTS

From January 18, 2024 to March 14, 2024, 102,800 stock options with exercise prices between $0.55-$1.23 expired unexercised.

From February 13, 2024 to April 3, 2024, the Company has issued 6,275,062 common shares upon the exercise of warrants related to the employee pay program.

On March 12, 2024, the Company issued 601,666 common shares as payment for services of $52,000. The fair value of the common shares was determined by reference to the fair value of the services provided.