TOGGLE3D.AI INC.

Condensed Interim Financial Statements

For the three months ended October 31, 2023
and the period from February 14 (incorporation) to October 31, 2023

(Unaudited - Expressed in Canadian dollars)

Notice of Disclosure of Non-auditor Review of the Condensed Interim Financial Statements for the Three Months Ended October 31, 2023 and the Period From February 14 (incorporation) to October 31, 2023

Pursuant to National Instrument 51-102 *Continuous Disclosure Obligations*, part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Toggle3D.ai Inc. for the three months ended October 31, 2023 and the period from February 14 (incorporation) to October 31, 2023, have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting,* as issued by the International Accounting Standards Board, and are the responsibility of management.

The independent auditors, Saturna Group Chartered Professional Accountants LLP, have not performed a review of these unaudited condensed interim financial statements.

December 21, 2023

TOGGLE3D.AI INC.
Condensed Interim Statement of Financial Position
(Unaudited - Expressed in Canadian dollars)

	Note	October 31, 2023
		$
ASSETS		
Current		
Cash and cash equivalents	5	**1,296,354**
Receivables		**142,060**
Prepaid expenses		**40,317**
		1,478,731
Intangible assets	6	**4,444,444**
Total assets		**5,923,175**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	7	**59,877**
Total liabilities		**59,877**
SHAREHOLDERS' EQUITY		
Share capital	8	**7,262,596**
Reserves	8(e)(f)	**385,431**
Deficit		**(1,784,729)**
Total shareholders' equity		**5,863,298**
Total liabilities and shareholders' equity		**5,923,175**

Nature of operations and going concern (Note 1)

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 condensed interim financial statements.

TOGGLE3D.AI INC.
Condensed Interim Statement of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended October 31, 2023	Period from February 14 (incorporation) to October 31, 2023
		$	$
Revenue		**29,964**	**30,167**
Operating expenses			
Amortization	6	**416,667**	**555,556**
Foreign exchange		**880**	**880**
General and administrative	9, 10(a)	**401,037**	**646,967**
Loss on sale of shares	8(d)	**54,682**	**54,682**
Research and development	10(b)	**82,248**	**86,739**
Sales and marketing	10(c)	**58,976**	**84,641**
Share-based compensation	8(f)	**135,746**	**385,431**
		1,150,236	**1,814,896**
Net loss		**(1,120,272)**	**(1,784,729)**
Net loss per share			
Basic and diluted		**(0.04)**	**(0.11)**
Weighted average number of common shares			
Basic and diluted		**28,719,466**	**15,558,578**

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

TOGGLE3D.AI INC.
Condensed Interim Statements of Cash Flows
(Unaudtied - Expressed in Canadian dollars)

	Period from February 14 (incorporation) to October 31, 2023
	$
Operating activities	
Net loss for the period	(1,784,729)
Items not affecting cash:	
Amortization	555,556
Loss on sale of shares	54,682
Share-based compensation	385,431
Changes in non-cash working capital:	
Receivables	(142,060)
Prepaid expenses	(40,317)
Accounts payable and accrued liabilities	59,559
Cash used in operating activities	(911,878)
Financing activities	
Proceeds from private placement	2,158,356
Proceeds from sale of shares for employee pay program	49,557
Cash provided by financing activities	2,207,913
Effect of foreign exchange on cash	318
Change in cash during the period	1,296,035
Cash, beginning of period	1
Cash, end of period	1,296,354
Supplemental cash flow information:	
Non-cash investing and financing activities:	
Common shares issued for intangible assets	5,000,000

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

TOGGLE3D.AI INC.
Condensed Interim Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in Canadian dollars)

	Common shares	Share capital	Reserves	Deficit	Total shareholders' equity
	#	$	$	$	$
Balance, February 14, 2023 (incorporation)	100	1	-	-	1
Shares issued for purchase of intangible assets	19,999,900	5,000,000	-	-	5,000,000
Shares issued in private placement	8,632,473	2,158,356	-	-	2,158,356
Shares issued for employee pay program	144,639	104,239	-	-	104,239
Share-based compensation	-	-	385,431	-	385,431
Net loss for the period	-	-	-	(1,784,729)	(1,784,729)
Balance, October 31, 2023	**28,777,112**	**7,262,596**	**385,431**	**(1,784,729)**	**5,863,298**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Toggle3D.ai Inc. (“Toggle3D” or the “Company”) develops and operates intellectual property which includes the Toggle3D web application. Toggle3D is a software as a service solution that utilizes generative artificial intelligence to convert computer-aided design files, apply 4K texturing, and enable seamless publishing of superior 4K 3D models. The Company was incorporated under the Business Corporations Act (Ontario) on February 14, 2023. As the target company for certain assets spun out from Nextech3D.ai Corporation (“Nextech”), a Metaverse company and leading provider of AR solutions, the Company is a subsidiary of Nextech. The Company’s registered and head office is located at PO Box 64039 RPO Royal Bank Plaza, Toronto, Ontario, M5J 2T6.

The Company’s shares are traded on the trade on the Canadian Securities Exchange (the “CSE”) under the trading symbol “TGGL”, on the OTCQB Venture Market under the trading symbol “TGGLF”, and on the Frankfurt Stock Exchange under the trading symbol “Q0C”.

Going concern

These unaudited condensed interim financial statements for the three months ended October 31, 2023 and the period from February 14 (incorporation) to October 31, 2023 (“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. During the period from February 14 (incorporation) to October 31, 2023, the Company did not generate significant revenues and incurred negative cash flow from operations. As at October 31, 2023, the Company has working capital of $1,418,854 and an accumulated deficit of $1,784,729. For the three months ended October 31, 2023 and the period from February 14 (incorporation) to October 31, 2023, the Company incurred a net loss of $1,120,272 and $1,784,729, respectively. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing through debt or equity. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors may cast significant doubt on the Company’s ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on December 21, 2023.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee applicable to the preparation of interim financial statements including International Accounting Standard 34 *Interim Financial Reporting*. These financial statements do not include all disclosures required for annual audited financial statements.

b) Basis of presentation

The financial statements have been prepared using the historical cost basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents. Cash and cash equivalents comprise cash held by the warrant services program administrator, which is owned by the Company, but managed through a third-party on behalf of the Company.

b) Foreign currency translation

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rate of exchange at the reporting date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Foreign exchange gains and losses arising on translation are included in profit or loss.

c) Intangible assets

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 Company amortizes intangible assets over 3 years.

d) 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.

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.

e) 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement

Financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled, or expired. In cases where the fair value option is chosen for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A single expected credit loss model is used for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition.

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 will recognize in profit or 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.

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 statements of income (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 profit or loss.

f) Share-based payments

The Company grants stock options to purchase common shares of the Company as well as equity instruments representing common shares to directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee, including directors of the Company. The fair value of the stock options granted is measured at grant date and each tranche is recognized on a graded basis over the vesting period. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense for unvested options is adjusted to reflect the number of the options that are expected to vest. If the options are forfeited subsequent to vesting or expire, the amount recorded to the reserves is transferred to deficit.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

g) Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to equity shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

h) Research and development costs

Research costs are charged to operations as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Company intends to or has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use and borrowing costs on qualifying assets. Other development expenditure is recognized in profit or loss as incurred.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these financial statements requires management to exercise significant judgments in applying the Company's accounting policies and make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual future outcomes could differ from present estimates and assumptions, which may require material adjustments to the Company's financial statements. Revisions to accounting estimates are accounted for prospectively.

Significant judgments exercised by management in applying the Company's accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

<u>Going concern presentation</u>

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and the expenses and the statement of financial position classifications used.

<u>Accounting estimates</u>

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

<u>Carrying value and recoverability intangible assets</u>

The Company has determined that intangible assets that are capitalized may have future economic benefits and may be economically recoverable. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market condition and useful lives of assets.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Research and development costs

Research costs are recognized as an expense when incurred but development costs may be capitalized as intangible assets if certain conditions are met as described in IAS 38 *Intangible Assets*. Management has determined that development costs do not meet the conditions for capitalization under IAS 38 and all research and development costs have been expensed.

Share-based payments

Management is required to make several estimates when determining the fair value of the payments resulting from share-based transactions, including the forfeiture rate and expected life of the instruments.

5. CASH AND CASH EQUIVALENTS

Toggle3D holds short-term investments, with maturity less than three months, consisting of Guaranteed Investment Certificates in Canadian dollars with annual interest rates of 4.95%. As at October 31, 2023, Toggle3D held a total of $1,100,000 of short-term investments.

Cash held in relation to share-based employee pay program

As at October 31, 2023, in connection with the share-based employee pay program (Note 8(d)), the Company had cash held in a trust account of $19,557. The cash does not earn interest and is used to complete remittances for consultant fees.

6. INTANGIBLE ASSETS

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

	$
Cost	
Balance, February 14, 2023 (incorporation)	-
Additions	5,000,000
Balance, October 31, 2023	**5,000,000**
Accumulated amortization	
Balance, February 14, 2023 (incorporation)	-
Amortization	555,556
Balance, October 31, 2023	**555,556**
Carrying amounts	
Balance, October 31, 2023	**4,444,444**

On June 13, 2023, Nextech completed the spin out of Toggle3D.ai Inc. whereby Nextech transferred intellectual property and technology assets related to the Toggle3D platform to the Company in exchange for the issuance of 19,999,900 common shares valued at approximately $0.25 per common share of the Company for proceeds of $5,000,000.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	October 31, 2023
	$
Accounts payable	**48,394**
Accrued liabilities	**11,483**
	59,877

(Unaudited - Expressed in Canadian dollars)

8. SHARE CAPITAL

a) Authorized

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

b) Issued and Outstanding

As at October 31, 2023, 28,777,112 common shares were issued and outstanding.

c) Share issuances

During the period from February 14 (incorporation) to October 31, 2023, the Company had the following share capital transactions:

- On February 14, 2023, upon incorporation, the Company issued 100 common shares with a price of $0.01 and fair value of $1 on incorporation of the Company.
- On June 13, 2023, the Company issued 19,999,900 common shares with a fair value of $5,000,000 to Nextech in exchange for intangible assets (Note 6).
- On June 13, 2023, the Company issued 8,632,473 units at $0.25 per unit for proceeds of $2,158,356 as part of the private placement related to the spinout of the Company from Nextech. Each unit consisted of one common share and one share purchase warrant exercisable at $0.50 per common share expiring on June 13, 2026. Applying residual method, the proceeds were fully allocated to share capital.
- The Company issued 144,639 shares upon the exercise of 144,639 warrants related to the employee pay program (Note 8(d)). Of the shares issued, 104,239 shares were sold for cash proceeds of $49,557.

d) Employee pay program

On July 26, 2023, the Company introduced a CSE approved share-based employee pay program (“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 shares. Through this program, the Company is allowed to issue warrants, with specified exercise price, to its contractors. The warrants convert to common shares pursuant to services being completed by contractors. A third-party program administrator subsequently completes the sale of the common shares, and the proceeds are used to facilitate cash disbursements in connection with contractor services rendered. The contractors are guaranteed an amount equal to the maximum of (i) value of shares measured at exercise price (the “cost of shares”) and (ii) the proceeds from the sale of shares.

The Company does not recognize the warrants issued to the contractors. Recognition occurs only when shares are sold to the market, with the Company then recording an increase in share capital at the cost of shares. When the shares are sold for less than the cost of shares, the Company will compensate the contractors for the shortfall and recognize a loss on the sale of shares.

During the period from February 14 (incorporation) to October 31, 2023, as part of the employee pay program, the Company granted 737,550 warrants to its contractors. Each warrant has exercise price of $1 and is exercisable into one common shares until July 26, 2024. As at October 31, 2023, 144,639 warrants have been converted into common shares, of which 40,400 common shares remained unsold. The Company has recognized a loss on sale of shares of $54,682.

e) Warrants

A summary of the Company’s warrants activity is as follows:

	Number of warrants	Weighted average exercise price
	#	$
Balance, February 14, 2023	-	-
Granted	9,370,023	0.55
Exercised	(144,639)	1.00
Balance, October 31, 2023	**9,225,384**	**0.53**

(Unaudited - Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

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

Date of expiry	Number of warrants outstanding	Number of warrants exercisable	Weighted average exercise price	Weighted average remaining life
	#	#	$	Years
June 13, 2026	8,632,473	8,632,473	0.50	2.62
July 26, 2024	592,911	592,911	1.00	0.74
Balance, October 31, 2023	**9,225,384**	**9,225,384**	**0.53**	**2.50**

On June 13, 2023, the Company granted 8,632,473 warrants pursuant to the private placement as part of the spinout of the Company from Nextech. Each warrant has a three-year life with an exercise price of $0.50. During the period from February 14 (incorporation) to October 31, 2023, 144,639 warrants were exercised.

f) Options

A summary of the Company's stock option activity is as follows:

	Number of stock options	Weighted average exercise price
	#	$
Balance, February 14, 2023	-	-
Granted	2,100,000	1.07
Balance, October 31, 2023	**2,100,000**	**1.07**

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

Date of expiry	Number of stock options outstanding	Number of stock options exercisable	Weighted average exercise price	Weighted average remaining life
	#	#	$	Years
July 5, 2026	2,040,000	-	1.09	2.68
September 13, 2026	60,000	-	0.54	2.87
Balance, October 31, 2023	**2,100,000**	**-**	**1.07**	**2.68**

As at October 31, 2023, the weighted average remaining life of the outstanding stock options is 1.07 years.

During the period from February 14 (incorporation) to October 31, 2023, the Company granted 2,100,000 stock options with a combined fair value of $1,318,661, of which $385,431 was recognized as share-based compensation.

A summary of the Company's assumptions used in the Black-Scholes option pricing model for stock options granted during the period from February 14 (incorporation) to October 31, 2023 is as follows:

	2023
Weighted average risk-free rate	**3.91%**
Weighted average expected life	**3 years**
Weighted average expected volatility	**100.00%**
Weighted average dividend yield	**0.00%**
Weighted average fair value per option	**$0.63**

(Unaudited - Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS

The Company considers the executive officers and directors as the key management of the Company, including those persons having the authority and responsibility for the planning, directing, and controlling of the activities of the Company.

A summary of the Company's related party transactions is as follows:

	Three months ended October 31, 2023	Period from February 14 (incorporation) to October 31, 2023
	$	$
Management fees included in general and administrative	344,027	557,361
	344,027	557,361

On June 14, 2023, the Company entered into a management agreement with Nextech, which is a major shareholder of the Company. The contract stipulates that a management fee of up to $150,000 per month will be paid to Nextech for consulting services, which consists of services performed by executive officers, technology consultants, and shared services such as, finance, human resources, and sales operations. The monthly amount represents the Company's portion of shared expenses with Nextech based on fair market rates.

During the three months ended October 31, 2023 and the period from February 14 (incorporation) to October 31, 2023, the Company paid $303,333 and $516,667, respectively, in relation to the management agreement with Nextech. During the three months ended October 31, 2023 and the period ended from February 14 (incorporation) to October 31, 2023, the Company paid $40,694 and $40,694, respectively, in management fees to the Chief Executive Officer.

As at October 31, 2023, there were no accounts payable and accrued liabilities included in respect to the services rendered. As at October 31, 2023, accounts payable and accrued liabilities included an amount of $14,930, payable to an entity that has the same ultimate parent with the Company ("related entity") for operating expenses paid on behalf of the Company by the related entity. As at October 31, 2023, receivables included a net cash advance of $119,600 to related entities.

10. EXPENSE BY NATURE

The Company presents operating expenses by function with the exception of amortization, depreciation, and foreign exchange loss. The following presents operating expenses by nature:

a) General and administrative

A summary of the Company's general and administrative expenses is as follows:

	Three months ended October 31, 2023	Period from February 14 (incorporation) to October 31, 2023
	$	$
Compliance fees	22,161	38,956
Management fees (Note 9)	344,027	557,361
Office, general, and other expenses (recovery)	(6,248)	9,553
Computer, software, and maintenance	769	769
Professional and legal fees	40,328	40,328
	401,037	646,967

(Unaudited - Expressed in Canadian dollars)

10. EXPENSE BY NATURE (continued)

b) Research and development

A summary of the Company's research and development expenses is as follows:

	Three months ended October 31, 2023	Period from February 14 (incorporation) to October 31, 2023
	$	$
Consultant fees	22,711	27,202
Computer, software, and maintenance	59,537	59,537
	82,248	86,739

c) Sales and marketing

A summary of the Company's sales and marketing expenses is as follows:

	Three months ended October 31, 2023	Period from February 14 (incorporation) to October 31, 2023
	$	$
Advertising	23,724	28,783
Computer, software, and maintenance	11,521	11,521
Investor relations	23,731	44,337
	58,976	84,641

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

As at October 31, 2023, the Company's financial assets and liabilities include cash and cash equivalents, receivables, and accounts payable and accrued liabilities. 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's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

a) Credit risk

Credit risk arises from cash as well as credit exposures to counterparties of outstanding receivables and committed transactions. There is no significant concentration of credit risk other than cash deposits. The Company mitigates credit risk related to cash by placing cash with sound financial institutions.

11. 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.

As at October 31, 2023, the Company had cash and cash equivalents of $1,296,354 and working capital of $1,418,854.

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 October 31, 2023, the Company is not significantly exposed to currency risk as its financial instruments are mainly denominated in Canadian dollars.

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. Company believes that interest rate risk is low as there is no financial asset or liability that has variable interest rate, and the majority of the Company's investments are made in highly liquid instruments.

12. CAPITAL MANAGEMENT

The Company's definition of capital includes equity, comprising share capital, reserves, and accumulated deficit. 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 October 31, 2023, the Company had shareholders' equity of $5,863,298.

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.

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