

**RECO INTERNATIONAL GROUP INC.**  
Consolidated Financial Statements  
September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

## Independent Auditors' Report

To: The Shareholders of **Reco International Group Inc.**

### Opinion

We have audited the consolidated financial statements of Reco International Group Inc. and its subsidiaries (collectively, the "Company"), which comprise the consolidated statements of financial position as at September 30, 2023 and the consolidated statements of operations and comprehensive loss, changes in deficiency and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### 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 Auditors' 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 is sufficient and appropriate to provide a basis for our opinion.

### Other Matter

The consolidated financial statements of the Company for the year ended September 30, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on January 23, 2023.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which indicates that at September 30, 2023 the Company had a net loss of \$676,173 and negative cash flow from operations of \$67,017. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

### Key Audit Matters

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

Except for the matter described in the Material Uncertainty Related to Going Concern section of our report, we have determined that there are no key audit matters to be communicated in our auditors' report.

### Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

## Independent Auditors' Report (continued)

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. 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 these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

Independent Auditors' Report (continued)

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.

The engagement partner on the audit resulting in this Independent Auditors' report is Roland A. Bishop, CPA, CA.

*Kennedy Mack Shusarchuk Stewart LLP*

January 26, 2024  
Calgary, Alberta

Chartered Professional Accountants

**RECO INTERNATIONAL GROUP INC.**  
Consolidated Statements of Financial Position  
September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 232,233	\$ 750,107
Accounts receivable (Note 4)	286,993	894,267
Prepaid expenses and other	32,465	41,868
Contract assets (Note 9)	<u>11,141</u>	<u>-</u>
	<b>562,832</b>	1,686,242
<b>Deposits</b>	<b>11,105</b>	20,080
<b>Equipment</b> (Note 6)	<b>64,849</b>	78,574
<b>Right-of-use asset</b> (Note 11)	<b><u>399,805</u></b>	<u>639,689</u>
	<b><u>\$ 1,038,591</u></b>	<b><u>\$ 2,424,585</u></b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank indebtedness (Note 7)	\$ -	\$ 74,509
Accounts payable and accrued liabilities (Note 8)	666,734	818,396
Amounts payable to related parties (Note 5)	530,602	670,420
Contract liabilities (Note 9)	176,781	387,913
Current portion of lease liability (Note 11)	250,514	211,926
Current portion of long-term debt (Note 10)	<u>70,000</u>	<u>-</u>
	<b>1,694,631</b>	2,163,164
<b>Long-term debt</b> (Note 10)	-	70,000
<b>Lease liability</b> (Note 11)	<u>193,282</u>	<u>443,796</u>
	<b>1,887,913</b>	2,676,960
<b>SHAREHOLDERS' DEFICIENCY</b>		
<b>Share capital</b> (Note 12)	2,272,335	2,272,335
<b>Share-based compensation reserve</b>	397,968	318,742
<b>Deficit</b>	<u>(3,519,625)</u>	<u>(2,843,452)</u>
	<b><u>(849,322)</u></b>	<b><u>(252,375)</u></b>
	<b><u>\$ 1,038,591</u></b>	<b><u>\$ 2,424,585</u></b>

**Reporting entity and going concern** (Note 1)

Approved on behalf of the Board

“Hugh Zhen”	“Hubert Lau”
Signed _____	Signed _____
Director	Director

See accompanying notes to the consolidated financial statements

**RECO INTERNATIONAL GROUP INC.**

## Consolidated Statements of Operations and Comprehensive Loss

For the Years Ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

	<b>2023</b>	<b>2022</b>
<b>Revenue</b>	<b><u>\$ 3,049,231</u></b>	<b><u>\$ 2,602,702</u></b>
<b>Expenses</b>		
Subcontracts	1,687,724	900,542
Salaries and benefits	628,914	732,736
General and administrative	586,596	728,852
Materials and supplies	342,890	612,043
Depreciation	257,516	169,101
Share-based compensation	79,226	109,807
Finance costs (note 13)	51,063	35,218
Bad debt	<u>25,877</u>	<u>22,250</u>
	<u><b>3,659,806</b></u>	<u>3,310,549</u>
<b>Net loss before other income (expense)</b>	<b>(610,575)</b>	<b>(707,847)</b>
<b>Other income (expense)</b>		
Impairment of amounts due from related parties (Note 5)	(74,866)	(97,391)
Gain on settlement of liabilities	9,244	-
Other income	<u>24</u>	<u>6</u>
	<u><b>(65,598)</b></u>	<u>(97,385)</u>
<b>Net loss and comprehensive loss</b>	<b><u>\$ (676,173)</u></b>	<b><u>\$ (805,232)</u></b>
<b>Loss per share - basic and diluted (Note 14)</b>	<b><u>\$ (0.01)</u></b>	<b><u>\$ (0.02)</u></b>
<b>Weighted average number of common shares outstanding - basic and diluted (Note 14)</b>	<b><u>49,635,635</u></b>	<b><u>34,376,731</u></b>

See accompanying notes to the consolidated financial statements

**RECO INTERNATIONAL GROUP INC.**

Consolidated Statements of Changes in Deficiency  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

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	Share Capital		Share-Based	Deficit	Total
	Shares	Amount	Compensation Reserve		
<b>Balance, September 30, 2021</b>	25,635,635	\$ 1,105,117	\$ 208,935	\$(2,038,220)	\$ (724,168)
<b>Private placement, net of share issue costs</b>	24,000,000	1,167,218	-	-	1,167,218
<b>Share-based compensation (Note 12)</b>	-	-	109,807	-	109,807
<b>Net loss and comprehensive loss</b>	-	-	-	<u>(805,232)</u>	<u>(805,232)</u>
<b>Balance, September 30, 2022</b>	49,635,635	\$ 2,272,335	\$ 318,742	\$(2,843,452)	\$ (252,375)
<b>Share-based compensation (Note 12)</b>	-	-	79,226	-	79,226
<b>Net loss and comprehensive loss</b>	-	-	-	<u>(676,173)</u>	<u>(676,173)</u>
<b>Balance, September 30, 2023</b>	<u>49,635,635</u>	<u>\$ 2,272,335</u>	<u>\$ 397,968</u>	<u>\$(3,519,625)</u>	<u>\$ (849,322)</u>

See accompanying notes to the consolidated financial statements

**RECO INTERNATIONAL GROUP INC.**  
Consolidated Statements of Cash Flows  
For the Years Ended September 30, 2023 and 2022  
(Expressed in Canadian Dollars)

	2023	2022
<b>Cash Provided by (Used in):</b>		
<b>Operating Activities</b>		
Net loss	\$ (676,173)	\$ (805,232)
Items not involving cash:		
Share-based compensation (Note 12)	79,226	109,807
Depreciation	257,516	169,101
Impairment of amounts due from related parties (Note 5)	74,866	97,391
Bad debt	25,877	22,250
Accretion expense	37,649	17,387
Net change in non-cash working capital balances (Note 15)	<u>134,022</u>	<u>324,786</u>
	<u>(67,017)</u>	<u>(64,510)</u>
<b>Investing Activities</b>		
Advances to related parties (Note 5)	(74,866)	(41,800)
Purchase of equipment (note 6)	<u>(3,907)</u>	-
	<u>(78,773)</u>	<u>(41,800)</u>
<b>Financing Activities</b>		
Proceeds from private placement, net of share issue costs	-	1,167,218
Repayments to related party (Note 5)	(48,000)	(364,795)
Advances from related parties	-	216,433
Repayment of lease liability (Note 11)	(211,926)	(146,273)
Interest paid on lease liability	<u>(37,649)</u>	<u>(17,387)</u>
	<u>(297,575)</u>	<u>855,196</u>
<b>(Decrease) increase in cash</b>	<b>(443,365)</b>	<b>748,886</b>
<b>Cash (bank indebtedness), beginning of year</b>	<b><u>675,598</u></b>	<b><u>(73,288)</u></b>
<b>Cash, end of year</b>	<b><u>\$ 232,233</u></b>	<b><u>\$ 675,598</u></b>
<b>Cash is composed of:</b>		
Cash	\$ 232,233	\$ 750,107
Bank indebtedness	<u>-</u>	<u>(74,509)</u>
	<u>\$ 232,233</u>	<u>\$ 675,598</u>

See accompanying notes to the consolidated financial statements

**RECO INTERNATIONAL GROUP INC.**  
Notes to the Consolidated Financial Statements  
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**1. Reporting Entity and Going Concern**

**Reporting Entity**

Reco International Group Inc. (the “Company”) was incorporated under the Alberta Business Corporations Act on October 12, 1999 and is in the business of commercial and residential construction and millwork operating in British Columbia. The Company is traded on the TSX Venture Exchange under the symbol RGI.

The head office and principal address of the Company is #100, 2051 Viceroy Place, Richmond, British Columbia, V6V 1Y9.

**Going Concern**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are applicable to a going concern which contemplates the realization of assets and settlement of liabilities in the normal course of operations. There are material uncertainties that may cast significant doubt on the validity of this assumption. During the year ended September 30, 2023, the Company incurred a net loss of \$676,173 (2022 - \$805,232) and had negative cash flow from operations of \$67,017 (2022 - \$64,510). As at September 30, 2023, the Company had a working capital deficiency of \$1,131,799 (2022 - \$476,922) and an accumulated deficit of \$3,519,625 (2022 - \$2,843,452). The Company’s ability to continue as a going concern is dependent on continued support from related parties and generating a profit from operations.

These consolidated financial statements do not reflect adjustments in the carrying value of the assets and liabilities, the reported revenues and expenses and the statement of financial position classifications that would be necessary if the going concern assumption were not appropriate. These adjustments could be material.

**2. Basis of Presentation**

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), being Standards and Interpretations as issued by the International Accounting Standards Board (“IASB”).

The Board of Directors approved these financial statements for issuance on January 26, 2024.

b) Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis.

c) Functional Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company’s and its subsidiaries’ functional currency.

**RECO INTERNATIONAL GROUP INC.**  
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2. **Basis of Presentation** (Continued)

d) Use of Management Critical Judgment, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

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

In preparing these consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation were:

Accounts Receivable

The valuation of accounts receivable is based on management's best estimate of the lifetime expected credit loss related to these accounts.

Equipment and Right-of-Use Asset

The amounts recorded for depreciation is based on management's best estimate of the useful lives of the assets.

Income Taxes

The amounts recorded for deferred income taxes is based on estimates as to the timing of the reversal of temporary differences and tax rates currently substantively enacted. They are also based on the probability of the Company being able to utilize the tax assets.

Going Concern

The assessment of the Company's ability to continue as a going concern through achieving profitable operations, continued financial support from related parties or accessing additional funding involves judgment based on historical experience and expectation of future events.

Revenue

The progress towards the complete satisfaction of the performance obligation on a project is the basis that management uses to determine the recognition of revenue. The revenue recognized is based on the costs incurred on the project in relation to management's estimate of the total costs expected for the project. However, due to unforeseen changes in the nature or cost of the work to be completed, contract profit can differ significantly from earlier estimates.

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2. **Basis of Presentation** (Continued)

d) Use of Management Critical Judgment, Estimates and Assumptions (Continued)

Lease Liability

The incremental borrowing rate is based on estimates made by management taking into consideration economic environment, terms, and underlying risk inherent to the asset. The carrying balance of the right of use asset, lease obligation and interest expense may vary due to changes in market conditions.

Share-based Compensation

The fair value of stock options granted is recognized using the Black-Scholes option pricing model. Measurement inputs include the Company's share price on the measurement date, the exercise price of the stock options, the expected volatility of the Company's shares, the expected life of the stock options, expected dividends and the risk-free rate of return. The Company estimates volatility based on the historical volatility of its common shares. The expected life of the stock options is based on historical experience and estimates of the holder's behaviour. Dividends are not factored in as the Company does not expect to pay dividends in the foreseeable future. Management also makes an estimate of the number of stock options that will be forfeited, and the rate is adjusted to reflect the actual number of stock options that vest.

3. **Summary of Significant Accounting Policies**

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements:

**Principles of Consolidation**

The consolidated financial statements consist of Reco International Group Inc. and its wholly owned subsidiaries, Reco Decoration Group Inc. and Z & Z Holdings Ltd. All intercompany balances and transactions have been eliminated on consolidation.

**Revenue Recognition**

The Company considers their contracts to contain one performance obligation which is satisfied over time. Revenue related to construction projects is recognized by measuring the progress towards the complete satisfaction of the performance obligation using contract costs incurred for work performed relative to the estimated total contract costs. Contract costs include all direct materials, subcontractors' costs and direct labour costs. The Company is acting as the principal in all their arrangements with subcontractors. When consideration is received from customers in advance of the completion of a construction project or the determined stage of completion of a project, the amounts are recorded as contract liabilities. When costs incurred exceed consideration received, the amounts are recorded as contract assets. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately as an expense.

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**3. Summary of Significant Accounting Policies (Continued)**

**Equipment**

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Useful lives, residual values and depreciation methods are reviewed and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Depreciation is calculated on the declining balance basis at the following annual rates commencing on the date the equipment is available for use:

Equipment	- 20%
Office furniture	- 20%
Computer equipment	- 30%
Vehicles	- 20 - 30%

**Income Taxes**

Income tax expense consists of current and deferred income taxes. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**Loss Per Share**

Loss per share has been calculated using the weighted average number of common shares outstanding during the period. The Company assumes that common shares are issued for the exercise of options and that the assumed proceeds from the exercise of "in-the-money options" are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding.

**RECO INTERNATIONAL GROUP INC.**  
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**3. Summary of Significant Accounting Policies (Continued)**

**Financial Instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

The Company's financial instruments are measured initially at fair value and thereafter based on their classification. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments. At initial recognition financial instruments are classified in the following categories depending on the nature and purpose for which the instruments were acquired:

(i) Financial Assets and Liabilities at Fair Value through Profit or Loss ("FVTPL")

Financial assets and financial liabilities purchased or incurred, respectively, with the intention of generating earnings in the near term are classified as FVTPL. For items classified as FVTPL, the Company initially recognizes such financial assets or liabilities on the consolidated statement of financial position at fair value and recognizes subsequent changes in the consolidated statements of operations. Transaction costs incurred are expensed in the consolidated statements of operations. The Company does not have any financial assets or liabilities designated as FVTPL.

(ii) Financial Assets at Fair Value through Other Comprehensive Income ("FVTOCI")

Equity investments that are held for trading are classified as FVTPL. For other equity investments, on the day of acquisition the Company can make an irrevocable election to designate them as FVTOCI. Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss). The Company does not currently hold any assets or liabilities designated as FVTOCI.

(iii) Financial Assets at Amortized Cost

The Company classifies financial assets held to collect contractual cash flows at amortized cost, including cash, deposits and accounts receivable. The Company initially recognizes the carrying amount of such assets on the consolidated statement of financial position at fair value plus directly attributable transaction costs, and subsequently measures these at amortized cost using the effective interest rate method, less any impairment losses.

(iv) Other Financial Liabilities at Amortized Cost

This category is for financial liabilities that are not classified as FVTPL and includes bank indebtedness, accounts payable and accrued liabilities, amounts payable to related parties, lease liability and long-term debt. These financial liabilities are recorded at amortized cost on the consolidated statement of financial position.

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**3. Summary of Significant Accounting Policies (Continued)**

**Financial Instruments (Continued)**

**Impairment of Financial Assets**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost as follows:

The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognized is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate. A significant increase in credit risk is defined by the Company as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

**Derecognition**

(i) 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 profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

(ii) 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, is recognized in profit or loss.

**Equity Instruments**

Equity instruments issued by the Company are recorded at the proceeds received net of direct issuance costs.

3. **Summary of Significant Accounting Policies (Continued)**

**Impairment of Non-financial Assets**

Non-financial assets comprising of contract assets, equipment and right-of-use asset, are assessed whenever events or changes in circumstances suggest their carrying value may not be recoverable and at the end of each reporting period. Management considers assets to be impaired if the carrying value exceeds the estimated recoverable amount. The recoverable amount is the greater of its value in use and its fair value less costs of disposal. 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 assessment of the time value of money. If impairment is determined to exist, the loss is measured based on the amounts by which the assets carrying values exceed their fair values.

Impairment losses may be reversed, in a subsequent period where the impairment no longer exists or has decreased. The carrying amount after a reversal must not exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized. A reversal of impairment loss is recognized in profit or loss.

**Provisions**

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**Lease and Lease Modification**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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**3. Summary of Significant Accounting Policies (Continued)**

**Lease and Lease Modification (Continued)**

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**Share-based Compensation**

The Company uses the Black-Scholes option-pricing model to fair value options granted during the year to directors, officers, and employees. The estimated fair value of options on the date of grant is recognized as compensation expense over the vesting period. The number of expected forfeitures is estimated at the grant date and adjustments for actual forfeitures are made as they occur.

**Cash and Cash Equivalents**

The Company considers cash equivalents to be all cash and highly liquid investments with a term shorter than 90 days as the time of purchase.

**New Accounting Pronouncements**

The following IFRS standards have been recently issued by the IASB and the Company is currently evaluating the potential impacts on the consolidated financial statements of such pronouncements. Pronouncements that are not applicable or are not expected to have a significant impact on the Company's consolidated financial statements have been excluded.

*Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the consolidated statements of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangement in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2023.

*Amendments to IAS 8: Accounting Policies, Changes Accounting Estimates and Errors*

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023.

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**4. Accounts Receivable**

Accounts receivable is comprised of the following items:

	<u>2023</u>	<u>2022</u>
Trade accounts receivable	\$ 329,968	\$ 916,517
Goods and service tax receivable	5,152	-
Allowance for doubtful accounts	<u>(48,127)</u>	<u>(22,250)</u>
	<u>\$ 286,993</u>	<u>\$ 894,267</u>

During the year ended September 30, 2023, the Company recorded bad debt expenses of \$25,877 (2022 - \$22,250).

**5. Related Party Balances and Related Party Transactions**

- a) During the year ended September 30, 2023, the Company advanced \$74,866 (2022 - \$41,800) to companies that have common management and directors with the Company. The advances consisted of unsecured advances that bear no interest and have no specific terms of repayment. During the year ended September 30, 2023, the Company recorded an allowance for impairment of \$74,866 (2022 - \$97,391) on amounts previously advanced due to the uncertainty of repayment (Note 18).
- b) As at September 30, 2023, amounts payable to related parties includes:
- i) \$490,328 for advances from the Chief Executive Officer (“CEO”) and director and companies controlled by the CEO and director of the Company (2022 - \$538,328). Amounts are unsecured, bear no interest and have no specific terms of repayment;
  - ii) \$6,000 for consulting fees owed to the Interim Chief Financial Officer (“CFO”) (2022 - \$7,500); and
  - iii) \$33,900 and \$374 for consulting fees owed to a company controlled by a close family member of a director of the Company and a close family member of a director of the Company, respectively (2022 - \$111,923 and \$12,669, respectively).
- c) During the year ended September 30, 2023, the Company received advances of \$Nil (2022 - \$216,433) from a company controlled by the CEO and director of the Company and made repayments of \$48,000 (2022 - \$364,795) to the same related party.
- d) During the year ended September 30, 2023 and 2022, key management includes senior executives and directors of the Company. The compensation expense of key management and their close family members are as follows:

	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ 7,863	\$ 20,143
Consulting fees	\$ 42,274	\$ 141,817
Management fees	\$ 162,000	\$ 216,376
Share-based compensation	\$ 68,134	\$ 74,948

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**6. Equipment**

	<b>Cost</b>						<b>Balance at September 30, 2023</b>
	Balance at September 30, 2021		Additions	Disposals	Balance at September 30, 2022		
Equipment	\$ 575,118	\$ -	\$ -	\$ 575,118	\$ -	\$ -	\$ 575,118
Office furniture	87,214	-	-	87,214	-	-	87,214
Computer equipment	72,688	-	-	72,688	3,907	-	76,595
Vehicles	170,973	-	-	170,973	-	-	170,973
	<u>\$ 905,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 905,993</u>	<u>\$ 3,907</u>	<u>\$ -</u>	<u>\$ 909,900</u>

	<b>Accumulated Depreciation</b>						<b>Balance at September 30, 2023</b>
	Balance at September 30, 2021		Additions	Disposals	Balance at September 30, 2022		
Equipment	\$ 495,155	\$ 15,993	\$ -	\$ 511,148	\$ 12,794	\$ -	\$ 523,942
Office furniture	83,382	766	-	84,148	613	-	84,761
Computer equipment	68,700	1,430	-	70,130	1,947	-	72,077
Vehicles	158,887	3,106	-	161,993	2,278	-	164,271
	<u>\$ 806,124</u>	<u>\$ 21,295</u>	<u>\$ -</u>	<u>\$ 827,419</u>	<u>\$ 17,632</u>	<u>\$ -</u>	<u>\$ 845,051</u>

	<b>Net Book Value</b>	
	<b>Balance at September 30, 2023</b>	Balance at September 30, 2022
	Equipment	\$ 51,176
Office furniture	2,453	3,066
Computer equipment	4,518	2,558
Vehicles	<u>6,702</u>	<u>8,980</u>
	<u>\$ 64,849</u>	<u>\$ 78,574</u>

**7. Bank Indebtedness**

The Company has available a line of credit of \$100,000 bearing interest at prime plus 3.5%, secured by a general security agreement and is due on demand. \$Nil has been drawn on the line of credit as at September 30, 2023 (2022 - \$19,268) with outstanding cheques of \$Nil (2022 - \$55,241).

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**8. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities are comprised of the following items:

	<u>2023</u>	<u>2022</u>
Trade payables	\$ 551,947	\$ 513,552
Accrued liabilities	114,787	252,375
Goods and Services Tax payable	-	52,469
	<u>\$ 666,734</u>	<u>\$ 818,396</u>

**9. Contract Liabilities (Assets) and Major Customers**

Revenues from one (1) customer of the Company (2022 – three (3) customers) represented approximately \$1,671,144 or 54% of the Company's total revenues (2022 – approximately \$1,845,000 or 71%).

As at September 30, 2023, the Company has six (6) construction contracts (2022 – three (3) construction contracts) in progress and the following is financial information for the contracts in progress:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 387,913	\$ 30,000
Add – amounts billed during the year	1,714,352	622,923
Deduct – amounts recognized in revenue	<u>(1,936,625)</u>	<u>(265,010)</u>
Balance, end of year	<u>\$ 165,640</u>	<u>\$ 387,913</u>
Deferred (accrued) revenue	<u>2023</u>	<u>2022</u>
Contract assets	\$ (11,141)	\$ -
Contract liabilities	<u>176,781</u>	<u>387,913</u>
	<u>\$ 165,640</u>	<u>\$ 387,913</u>

The construction contracts in progress are expected to be completed within the next twelve (12) months.

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**10. Long-term Debt**

	<u>2023</u>	<u>2022</u>
CEBA loan, interest free, no principal payments until January 2024, repayment of loan balance on or before January 18, 2024 will result in forgiveness of \$30,000. After January 18, 2024, unpaid balance is payable over 2-year term at interest of 5% per annum.	\$ 70,000	\$ 70,000
Less – Current portion	<u>(70,000)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 70,000</u>

The Company received an \$100,000 COVID-19 relief line of credit from the Canada Small Business Financing Program as support for businesses. Since \$30,000 of the loan amount will be forgiven if the Company repays the loan before the original repayment deadline of December 31, 2023, the Company has recognized \$30,000 as government assistance (\$10,000 in 2021 and \$20,000 in 2020) and the remaining balance outstanding of \$70,000 has been reflected above. On September 14, 2023, the Government extended the repayment deadline to January 18, 2024.

**11. Lease Liability and Right-of-Use Asset**

Effective June 1, 2022, the Company extended its office premises lease for an additional three (3) years. The office premises lease expires on May 31, 2025. The associated lease liability and right-of-use asset has been calculated using an incremental borrowing rate of 6.7% and is summarized below:

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
<b>Right-of-use Asset</b>		
Balance, start of year	\$ 639,689	\$ 67,845
Modification – extension of lease term	-	719,650
Less – depreciation	<u>(239,884)</u>	<u>(147,806)</u>
Balance, end of year	<u>\$ 399,805</u>	<u>\$ 639,689</u>
<b>Lease Liability</b>		
Balance, start of year	\$ 655,722	\$ 82,345
Modification – extension of lease term	-	719,650
Less - lease payments	(249,575)	(163,660)
Add - finance costs	<u>37,649</u>	<u>17,387</u>
Balance, end of year	<u>\$ 443,796</u>	<u>\$ 655,722</u>
Less - current portion	<u>(250,514)</u>	<u>(211,926)</u>
	<u>\$ 193,282</u>	<u>\$ 443,796</u>

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**11. Lease Liability and Right-of-Use Asset (Continued)**

Lease commitments for the years ended September 30 – undiscounted cash flow:

2024	\$	272,918
2025		<u>198,170</u>
Total lease commitment		471,088
Future finance costs		<u>(27,292)</u>
	\$	<u>443,796</u>

**12. Share Capital**

Authorized:

Unlimited common voting shares

Unlimited redeemable, retractable, non-voting preferred shares

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares and determine the designation, rights and privileges attached to each series of shares.

Issued and outstanding:

	Number of Common Shares	Amount
Balance, September 30, 2021	25,635,635	\$ 1,105,117
Private placement, net of share issue costs	<u>24,000,000</u>	<u>1,167,218</u>
Balance, September 30, 2022 and 2023	<u>49,635,635</u>	<u>\$ 2,272,335</u>

During the year ended September 30, 2022, the Company issued 24,000,000 common shares at a price of \$0.05 per common share for gross proceeds of \$1,200,000 and incurred \$32,782 of share issue costs.

**Share-Based Compensation Plan**

Under the Company's Share-based Compensation Plan, options to purchase common shares of the Company may be granted to directors, officers, key employees and consultants of the Company. These options entitle the holder to purchase one common share at a subscription price that shall not be less than that which may be acceptable to any stock exchange on which the Company's shares are traded. Options expire between two and five years after being issued or ninety days after an employee ceases employment with the Company. The Board of Directors has the discretion to extend the expiration period on cessation of employment. The terms and vesting period of each option is at the discretion of the Board of Directors.

The maximum number of common shares authorized for issuance by the Board of Directors under the plan is limited to 20% of the total issued and outstanding common shares of the Company.

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12. **Share Capital** (Continued)

**Share-Based Compensation Plan** (Continued)

The activity related to stock options is as follows:

	<u>Number of Options</u>	<u>Exercise Price</u>
Balance, September 30, 2021	5,100,000	\$ 0.05
Options granted	6,300,000	0.05
Options cancelled	<u>(2,100,000)</u>	<u>0.05</u>
Balance, September 30, 2022	<u><b>9,300,000</b></u>	<u><b>\$ 0.05</b></u>
Options cancelled	(966,667)	\$ 0.05
Options forfeited	<u>(333,333)</u>	<u>0.05</u>
Balance, September 30, 2023	<u><b>8,000,000</b></u>	<u><b>\$ 0.05</b></u>

The following table summarizes information on stock options outstanding and exercisable at September 30, 2023:

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Number Exercisable</u>	<u>Expiry date</u>
\$ 0.05	2,700,000	2,700,000	December 6, 2023
\$ 0.05	5,300,000	3,533,333	July 3, 2027

As at September 30, 2023, the weighted average life remaining of the total number of outstanding stock options was 2.55 years and the weighted average life remaining of exercisable stock options was 2.21 years.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of the stock options. During the year, the Company recorded \$79,226 (2022 - \$109,807) in share-based compensation expense for the portion vested. The following assumptions were used to estimate the fair value of the stock options granted during the year ended September 30, 2022:

Annualized volatility	101.06%
Risk-free interest rate	3.04%
Expected life of	5 years
Dividend rate	0.00%
Fair value per stock option	\$0.038
Share price	\$0.05

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**13. Finance Costs**

The components of finance costs are as follows:

	<u>2023</u>	<u>2022</u>
Interest expense	\$ 13,414	\$ 17,830
Interest on lease liability	<u>37,649</u>	<u>17,388</u>
	<u>\$ 51,063</u>	<u>\$ 35,218</u>

**14. Loss Per Share**

The basic earnings per share is based on the weighted average number of common shares outstanding as at September 30, 2023 of 49,635,635 (2022 – 34,376,731). The diluted earnings per share is calculated using the weighted average number of common shares of 49,635,635 (2022 – 34,376,731) and does not include the stock options which were anti-dilutive.

**15. Non-Cash Working Capital Balances**

The net change in non-cash working capital balances consists of:

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 581,397	\$ (540,425)
Prepaid expenses	9,403	(12,338)
Deposits	8,975	(8,480)
Accounts payable and accrued liabilities	(151,662)	528,116
Amounts payable to related parties	(91,818)	-
Contract assets	(11,141)	-
Contract liabilities	<u>(211,132)</u>	<u>357,913</u>
	<u>\$ 134,022</u>	<u>\$ 324,786</u>

**16. Supplemental Cash Flow Information**

	<u>2023</u>	<u>2022</u>
Interest paid	<u>\$ 13,414</u>	<u>\$ 17,830</u>

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**17. Income Taxes**

The income tax provision reported differs from the amount computed by applying the combined Canadian federal and provincial rate to income (loss) before income taxes. The reasons for the difference and the related tax effects are as follows:

	<u>2023</u>	<u>2022</u>
Loss before income taxes	\$ (676,173)	\$ (805,232)
Expected rate	<u>25.71%</u>	<u>25.24%</u>
Expected tax recovery	(173,828)	(203,262)
Tax effect of adjustments:		
Expenses not deductible for tax	31,209	13,725
Adjust tax pools to actual	(36,908)	-
Other	2,667	-
Net effect of deferred tax asset not recognized	<u>176,860</u>	<u>189,537</u>
	<u>\$ -</u>	<u>\$ -</u>

The consolidated financial statements do not reflect potential tax reductions available through the application of losses carried forward against future years' earnings otherwise subject to income taxes. These losses amounting to \$2,452,834 may be carried forward and expire as follows:

2028	\$ 16,253
2032	95,615
2033	88,307
2034	73,743
2035	93,710
2036	60,686
2037	88,999
2039	17,030
2040	348,129
2041	533,315
2042	567,228
2043	<u>469,819</u>
	<u>\$ 2,452,834</u>

The Company has not recognized deferred tax assets for which it is not probable that realization will occur. Significant components of the Company's deferred tax assets are as follows:

	<u>2023</u>	<u>2022</u>
Deferred Tax Assets		
Deficiency of tax value over book value of assets	\$ (89,696)	\$ (159,225)
Credit loss provision	38,046	-
Capital losses	32,294	-
Lease payment obligation	119,825	177,045
Loss carry forwards	<u>621,317</u>	<u>527,106</u>
	721,786	544,926
Unrecognized deferred tax asset	<u>(721,786)</u>	<u>(544,926)</u>
Net deferred income tax asset	<u>\$ -</u>	<u>\$ -</u>

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**18. Financial Instruments**

The Company's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, amounts payable to related parties, long-term debt, and lease liability.

**Financial risk management**

The Company's activities are exposed to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial results. Risk management is carried out by financial management in conjunction with overall corporate governance.

**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. The Company is susceptible to interest rate cash flow risk on its bank indebtedness that bears interest at a variable rate and fair value risk on its long-term debt that bear interest at a fixed rate.

As at September 30, 2023, the Company had \$Nil (2022 - \$74,509) of bank indebtedness, which is carried at a variable interest rate. Accordingly, management does not believe this risk is significant.

**Credit risk**

The Company's exposure to credit risk relates to cash and accounts receivable that arises from the possibility that the third party does not satisfy its contractual obligations. The carrying amounts of financial assets represent the maximum credit exposure.

- a) The credit risk for cash is mitigated with the Company holding cash with major financial institutions.
- b) The Company minimizes its exposure to credit risk on accounts receivable through a program of credit evaluation of customers or obtaining deposits on projects. The Company performs continuous evaluation of its accounts receivable and records an expected credit loss based on recoverability of receivable balances from each customer taking into account historic collection of past due accounts. As at September 30, 2023, the Company has \$172,840 (2022 - \$297,129) of accounts receivable that are past due (over 90 days). An expected credit loss of \$25,877 was recorded for accounts receivable during the year ended September 30, 2023 (2022 - \$22,250). As at September 30, 2023, approximately 83% (2022 - 73%) of trade accounts receivable are from five (5) customers (2022 – two (2) customers). Trade accounts receivable aging details are as follows:

	<u>2023</u>	<u>2022</u>
Current	\$ 106,538	\$ 279,079
31 - 90 days	7,615	318,059
Over 90 days	<u>172,840</u>	<u>297,129</u>
	<u>\$ 286,993</u>	<u>\$ 894,267</u>

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19. **Financial Instruments** (Continued)

**Credit risk** (Continued)

- c) The Company recognized an allowance for impairment on amounts due from related parties (Note 5) of \$74,866 during the year ended September 30, 2023 (2022 - \$97,391). As at September 30, 2023, the cumulative allowance for impairment on amounts due from related parties is \$286,958 (2022 - \$212,092).

**Liquidity risk**

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable, purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital and cash flows. As at September 30, 2023, the Company's cash totalled \$232,233 and bank indebtedness totalled \$Nil (2022 – cash of \$750,107 and bank indebtedness of \$74,509), trade accounts receivable totalled \$286,993 (2022 - \$894,267) and the Company had a working capital deficiency of \$1,131,799 (2022 - \$476,922). The Company's bank indebtedness and accounts payable and accrued liabilities of \$666,734 (2022 - \$892,905) have a contractual maturity in the next 12 months and the amounts payable to related parties of \$530,602 (2022 - \$670,420) is composed of \$40,274 (2022 - \$132,092) which has a contractual maturity in the next 12 months and \$490,328 (2022 - \$538,328) due on demand with no formal terms of repayment. The contractual maturity of the Company's long-term debt is disclosed in Note 10. The contractual maturity of the Company's lease liability is disclosed in Note 11.

**Fair value**

The fair value of cash, accounts receivables, bank indebtedness, accounts payable and accrued liabilities and amounts payable to related parties approximate their carrying amounts due to the short-term nature of the financial instruments. The fair value of the lease liability and long-term debt approximates their carrying amounts since their terms approximate market terms.

The following provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

As at September 30, 2023 and 2022, the Company does not have any financial instruments measured at fair value.

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**20. Contingency**

In the normal course of operations, the Company will become subject to a variety of legal and other claims against the Company. Management and the Company's legal counsel evaluate all claims on their apparent merits and accrue management's best estimate of the estimated costs to satisfy such claims. Management believes that the outcome of legal and other claims filed against the Company will not be material.

As of September 30, 2023 and 2022, no amounts have been recorded and none are required to be disclosed in the consolidated financial statements with respect to contingencies.

**21. Capital Management**

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include sustaining continuing operations. The Company includes shareholders' deficiency of \$849,322 (2022 – \$252,375) and amounts payable to related parties of \$530,602 (2022 - \$670,420) in the definition of capital.

In managing capital, the Company estimates its future cash requirements by preparing a budget. The budget establishes the activities for the upcoming year and estimates the costs associated with these activities.

Historically, funding for the Company's plan was primarily managed through the issuance of additional common shares, through its commercial activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required. The Company is not subject to externally imposed capital requirements.

**22. Subsequent Events**

On December 6, 2023, 2,700,000 stock options with an exercise price of \$0.05 per common share expired unexercised.

On December 13, 2023 and January 2, 2024, the Company repaid \$30,000 and \$40,000, respectively, on the CEBA loan (Note 10). As the repayments were made before January 18, 2024, an aggregate of \$30,000 was forgiven by the lender on the CEBA loan.

**23. Comparative Figures**

The financial statements for the prior year have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.